

*Financial Statements*

**Man In The Mirror, Inc.**

**December 31, 2007**



CARR, RIGGS & INGRAM, LLC

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Man In The Mirror, Inc. (the "Organization") as of December 31, 2007, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the financial statements of Man In The Mirror, Inc. as of December 31, 2006 and were audited by other auditors whose report dated June 18, 2007, expressed an unqualified opinion on those statements.

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 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 audit provides 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Carr Riggs & Ingram LLC*

February 7, 2008

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MAN IN THE MIRROR, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash and cash equivalents	\$ 302,862	\$ 230,447
Inventory	299,494	251,681
Furniture and equipment, net	109,031	61,563
	\$ 711,387	\$ 543,691

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 36,395	144,321
Unearned revenue	36,160	45,791
Capital lease obligation	43,000	-
	115,555	190,112
Net Assets:		
Unrestricted	575,462	345,786
Temporarily restricted	20,370	7,793
	595,832	353,579
	\$ 711,387	\$ 543,691

MAN IN THE MIRROR, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
Support and revenue:				
Contributions	\$ 1,828,192	\$ 26,266	\$ 1,854,458	\$1,617,582
Resource revenue	1,427,080	-	1,427,080	1,444,850
Event revenue	301,443	-	301,443	246,098
Other revenue	492	-	492	6,961
Net assets released from restrictions	<u>13,689</u>	<u>(13,689)</u>	<u>-</u>	<u>-</u>
	<u>3,570,896</u>	<u>12,577</u>	<u>3,583,473</u>	<u>3,315,491</u>
Expenses:				
Program expenses:				
Resource ministry	1,356,275	-	1,356,275	1,554,912
Leadership Community internet ministry	696,383	-	696,383	735,298
Leadership Training Center	334,899	-	334,899	324,438
Seminars	204,721	-	204,721	210,516
Other ministry activities	<u>43,179</u>	<u>-</u>	<u>43,179</u>	<u>81,555</u>
Total program expenses	<u>2,635,457</u>	<u>-</u>	<u>2,635,457</u>	<u>2,906,719</u>
Supporting expenses:				
General and administrative	376,396	-	376,396	506,680
Fund raising	<u>329,367</u>	<u>-</u>	<u>329,367</u>	<u>137,209</u>
Total support services	<u>705,763</u>	<u>-</u>	<u>705,763</u>	<u>643,889</u>
Total expenses	3,341,220	-	3,341,220	3,550,608
Increase (decrease) in net assets	<u>229,676</u>	<u>12,577</u>	<u>242,253</u>	<u>(235,117)</u>
Net assets at beginning of year	<u>345,786</u>	<u>7,793</u>	<u>353,579</u>	<u>588,696</u>
Net assets at end of year	<u>\$ 575,462</u>	<u>\$ 20,370</u>	<u>\$ 595,832</u>	<u>\$ 353,579</u>

MAN IN THE MIRROR, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 242,253	\$ (235,117)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,940	27,454
Noncash contributions	(15,938)	(115,894)
Change in operating assets and liabilities:		
Increase in inventory	(47,813)	(86,323)
Increase (decrease) in accounts payable and accrued expenses	(107,926)	58,939
Increase (decrease) in unearned revenue	<u>(9,631)</u>	<u>28,241</u>
Total adjustments	<u>(154,368)</u>	<u>(87,583)</u>
Net cash provided (used) by operating activities	<u>87,885</u>	<u>(322,700)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	(31,408)	115,894
Purchases of furniture and equipment	<u>15,938</u>	<u>(28,713)</u>
Net cash provided (used) by investing activities	<u>(15,470)</u>	<u>87,181</u>
Net increase (decrease) in cash and cash equivalents	72,415	(235,519)
Cash and cash equivalents – beginning of year	<u>230,447</u>	<u>465,966</u>
Cash and cash equivalents – end of year	<u>302,862</u>	<u>230,447</u>

MAN IN THE MIRROR, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 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.

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 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.

Inventory:

Inventory is stated at the lower of cost or market value and includes the shipping costs of inventory received.

Furniture and equipment:

Furniture and equipment are carried at cost. Depreciation is provided on the straight-line basis over the assets' estimated useful lives, which are generally between 3-7 years.

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 proved for in the accompanying financial statements. The Organization has not incurred unrelated business income taxes.

MAN IN THE MIRROR, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED DECEMBER 31, 2007 AND 2006

2. Summary of significant accounting policies - continued:

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.

Advertising costs:

Costs of advertising are expensed as incurred. Advertising expense was approximately \$60,000 and \$95,000 for the years ended December 31, 2007 and 2006, respectively.

3. 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.

4. Furniture and equipment:

Furniture and equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Office furniture and equipment	\$ 161,427	\$ 112,565
Computer equipment and software	<u>316,773</u>	<u>291,227</u>
	478,200	403,792
Less: accumulated depreciation	<u>(369,169)</u>	<u>(342,229)</u>
Net furniture and equipment	<u>\$ 109,031</u>	<u>\$ 61,563</u>

Depreciation expense amounted to \$26,940 and \$27,454 for 2007 and 2006, respectively.

MAN IN THE MIRROR, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED DECEMBER 31, 2007 AND 2006

5. Capital lease obligation:

In 2007, the Organization entered into a non-cancelable capital lease agreement for the purchase of copiers. Required monthly payments on this lease totaled \$787 for the year ended December 31, 2007. The Organization is currently disputing the lease agreement since the copiers delivered did not function properly. No payments were made on the lease in 2007. Since the copiers were not operable, they were not depreciated for the year ended December 31, 2007. Gross amounts of office equipment and related accumulated depreciation recorded under the capital lease are as follows as of December 31:

	<u>2007</u>	<u>2006</u>
Office furniture and equipment	\$ 43,000	\$ -
Less: accumulated depreciation	<u>-</u>	<u>-</u>
	<u>\$ 43,000</u>	<u>\$ -</u>

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 as of December 31:

2008	\$ 18,888
2009	9,444
2010	9,444
2011	9,444
2012	<u>2,362</u>
Total minimum lease payments	49,582
Less: amount representing interest	<u>(6,582)</u>
Present value of net minimum lease payments	43,000
Less: current maturities	<u>(14,944)</u>
	<u>\$ 28,056</u>

6. Temporarily restricted net assets:

Net assets at December 31, 2007 and 2006, were temporarily restricted for Leadership Training Center scholarships.

MAN IN THE MIRROR, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED DECEMBER 31, 2007 AND 2006

7. 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. In addition, the Organization leases a copier machine for \$420 a month on a month-to-month lease. The Organization also leases a postage machine with monthly payments of \$132 through July 2008. Rent expense related to all operating leases was approximately \$107,000 and \$129,000, for 2007 and 2006, respectively.

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 \$28,478 and \$15,438 for 2007 and 2006, respectively.

9. Supplemental disclosures of cash flow information:

Cash was paid during the year for:

	<u>2007</u>	<u>2006</u>
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash investing and financing activities:

The Company entered into a capital lease for copiers with a cost of \$43,000. (see Note 5.)