



Man in the Mirror, Inc.

FINANCIAL STATEMENTS

December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Man in the Mirror, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Man in the Mirror, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 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 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 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 Man in the Mirror, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Man in the Mirror, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Man in the Mirror, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 7, 2021

Man in the Mirror, Inc.
Statements of Financial Position

| <i>December 31,</i> | 2020 | 2019 |
|---|---------------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,049,137 | \$ 1,367,143 |
| Contributions in transit | 107,179 | 61,390 |
| Other assets | 2,640 | 2,640 |
| Inventory | 59,620 | 57,194 |
| Life insurance cash surrender value | 36,825 | 36,825 |
| Property, furniture, and equipment, net | 1,491,076 | 1,522,294 |
| <hr/> | | |
| Total assets | \$ 3,746,477 | \$ 3,047,486 |
| <hr/> | | |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 80,918 | \$ 67,513 |
| Contract liability | 463 | 721 |
| Capital lease obligations | 41,311 | 44,691 |
| Long-term debt | 759,708 | 786,944 |
| <hr/> | | |
| Total liabilities | 882,400 | 899,869 |
| <hr/> | | |
| Net assets | | |
| Without donor restrictions | 1,363,277 | 1,105,958 |
| With donor restrictions | 1,500,800 | 1,041,659 |
| <hr/> | | |
| Total net assets | 2,864,077 | 2,147,617 |
| <hr/> | | |
| Total liabilities and net assets | \$ 3,746,477 | \$ 3,047,486 |
| <hr/> | | |

The accompanying notes are an integral part of these financial statements.

Man in the Mirror, Inc.
Statement of Activities

| <i>For the years ended December 31,</i> | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 (Summarized) Total |
|--|---------------------------------------|------------------------------------|-----------------------|-------------------------------|
| Revenues and Other Support | | | | |
| Contributions | \$ 3,250,086 | \$ 462,199 | \$ 3,712,285 | \$ 3,987,993 |
| Resource revenue | 95,976 | - | 95,976 | 124,639 |
| Event revenue | 29,436 | - | 29,436 | 68,626 |
| Other revenue | 17,839 | - | 17,839 | 18,661 |
| Forgiveness of Paycheck Protection Program loan | 502,800 | - | 502,800 | - |
| Net assets released from restrictions | 3,058 | (3,058) | - | - |
| Total revenues and other support | 3,899,195 | 459,141 | 4,358,336 | 4,199,919 |
| Expenses | | | | |
| <i>Program services</i> | | | | |
| Resource Ministry | 198,132 | - | 198,132 | 152,154 |
| Area Directors | 2,439,836 | - | 2,439,836 | 2,298,797 |
| NMLB | 107,575 | - | 107,575 | 122,677 |
| Events | 75,364 | - | 75,364 | 93,152 |
| Other ministry activities | 148,820 | - | 148,820 | 190,439 |
| Total program expenses | 2,969,727 | - | 2,969,727 | 2,857,219 |
| <i>Supporting services</i> | | | | |
| General and administrative | 215,803 | - | 215,803 | 236,072 |
| Fund raising | 456,346 | - | 456,346 | 912,592 |
| Total support services | 672,149 | - | 672,149 | 1,148,664 |
| Total expenses | 3,641,876 | - | 3,641,876 | 4,005,883 |
| Change in Net Assets | 257,319 | 459,141 | 716,460 | 194,036 |
| Net assets at beginning of year | 1,105,958 | 1,041,659 | 2,147,617 | 1,953,581 |
| Net assets at end of year | \$ 1,363,277 | \$ 1,500,800 | \$ 2,864,077 | \$ 2,147,617 |

The accompanying notes are an integral part of these financial statements.

Man in the Mirror, Inc.
Statements of Functional Expenses

For the year ended December 31,

2020

| | Program Expenses | | | | | Supporting Expenses | | Total |
|---|-------------------------|---------------------|-------------------|------------------|---------------------------------|----------------------------------|-------------------|---------------------|
| | Resource Ministry | Area Directors | NMLB | Events | Other Ministry Activities | General and Administrative | Fund Raising | |
| Payroll, benefits and related costs | \$ 70,732 | \$ 1,836,927 | \$ 84,561 | \$ 55,283 | \$ 102,009 | \$ 140,325 | \$ 268,751 | \$ 2,558,588 |
| Event expense | 3,953 | 86,326 | 2,764 | (1,178) | 4,749 | 1,261 | 126,452 | 224,327 |
| Administration costs | 5,238 | 145,216 | 4,385 | 3,813 | 23,759 | 40,527 | 15,857 | 238,795 |
| Travel | 586 | 97,314 | - | 890 | 754 | - | 3,937 | 103,481 |
| Marketing | 3,863 | 15,560 | 42 | 1,501 | 20 | 13 | 8,173 | 29,172 |
| Product expense | 41,009 | 32,799 | 881 | 1,665 | 493 | 335 | 2,563 | 79,745 |
| Other expenses | 5,215 | 99,475 | 4,068 | 3,089 | 4,603 | 4,087 | 12,703 | 133,240 |
| Technology expense | 4,224 | 49,631 | 3,523 | 2,785 | 4,687 | 1,379 | 3,431 | 69,660 |
| Professional fees | 57,636 | 6,618 | 45 | 36 | 430 | 19,267 | 6,286 | 90,318 |
| Depreciation | 3,128 | 16,422 | 3,910 | 3,128 | 4,692 | 4,692 | 3,128 | 39,100 |
| Printed materials | 266 | 7,659 | 1,306 | 2,561 | 113 | 172 | 2,959 | 15,036 |
| Utilities | 2,027 | 16,360 | 1,916 | 1,528 | 2,221 | 2,295 | 1,969 | 28,316 |
| Furniture and equipment - maintenance and repairs | 255 | 29,529 | 174 | 263 | 290 | 1,450 | 137 | 32,098 |
| Total expenses | \$ 198,132 | \$ 2,439,836 | \$ 107,575 | \$ 75,364 | \$ 148,820 | \$ 215,803 | \$ 456,346 | \$ 3,641,876 |

The accompanying notes are an integral part of these financial statements.

Man in the Mirror, Inc.
Statements of Functional Expenses

For the year ended December 31,

2019

| | Program Expenses | | | | | Supporting Expenses | | Total Expenses |
|---|-------------------|---------------------|-------------------|------------------|---------------------------|----------------------------|-------------------|---------------------|
| | Resource Ministry | Area Directors | NMLB | Events | Other Ministry Activities | General and Administrative | Fund Raising | |
| Payroll, benefits and related costs | \$ 65,007 | \$ 1,679,130 | \$ 86,366 | \$ 57,100 | \$ 115,329 | \$ 148,872 | \$ 326,773 | \$ 2,478,577 |
| Event expense | 2,878 | 128,777 | 7,783 | (2,015) | 20,500 | 427 | 512,556 | 670,906 |
| Administration costs | 11,572 | 138,425 | 6,660 | 5,589 | 22,351 | 49,470 | 14,178 | 248,245 |
| Travel | 1,377 | 136,452 | - | 2,409 | 2,927 | 5 | 19,727 | 162,897 |
| Marketing | 1,900 | 34,520 | 162 | 2,797 | 10,691 | 7 | 10,505 | 60,582 |
| Product expense | 54,597 | 24,777 | 2,067 | 4,586 | 754 | 962 | 2,757 | 90,500 |
| Other expenses | 6,236 | 42,356 | 4,652 | 3,498 | 4,607 | 4,743 | 13,217 | 79,309 |
| Technology expense | 3,073 | 42,243 | 3,688 | 2,958 | 4,908 | 1,477 | 3,896 | 62,243 |
| Professional fees | 12 | 646 | 15 | 12 | 18 | 19,167 | 157 | 20,027 |
| Depreciation | 3,104 | 16,298 | 3,880 | 3,104 | 4,657 | 4,657 | 3,104 | 38,804 |
| Printed materials | 80 | 16,673 | 4,525 | 10,784 | 220 | 90 | 2,668 | 35,040 |
| Utilities | 1,644 | 13,608 | 2,026 | 1,636 | 2,395 | 2,307 | 2,275 | 25,891 |
| Furniture and equipment - maintenance and repairs | 674 | 24,892 | 853 | 694 | 1,082 | 3,888 | 779 | 32,862 |
| Total expenses | \$ 152,154 | \$ 2,298,797 | \$ 122,677 | \$ 93,152 | \$ 190,439 | \$ 236,072 | \$ 912,592 | \$ 4,005,883 |

The accompanying notes are an integral part of these financial statements.

Man in the Mirror, Inc.
Statements of Cash Flows

| <i>For the years ended December 31,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Operating Activities | | |
| Changes in net assets | \$ 716,460 | \$ 194,036 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation | 39,100 | 38,804 |
| Gain on sale of property and equipment | - | (2,951) |
| Donated life insurance policy | - | (36,825) |
| Changes in operating assets and liabilities | | |
| Contributions in transit | (45,789) | (40,077) |
| Inventory | (2,426) | (3,467) |
| Accounts payable and accrued expenses | 13,405 | (2,417) |
| Contract liability | (258) | (2,385) |
| Net cash provided by operating activities | 720,492 | 144,718 |
| Financing Activities | | |
| Payments on capital lease obligations | (11,065) | (9,004) |
| Principal payments on long-term debt | (27,433) | (32,279) |
| Net cash used by financing activities | (38,498) | (41,283) |
| Net change in cash and cash equivalents | 681,994 | 103,435 |
| Cash and cash equivalents beginning of year | 1,367,143 | 1,263,708 |
| Cash and cash equivalents at end of year | \$ 2,049,137 | \$ 1,367,143 |

Non-cash investing and financing activities

During 2020, the Organization entered into a capital lease for a postage meter valued at \$7,685.

During 2019, the Organization entered into a capital lease for a copier and traded in a copier as part of this agreement. See Note 5 for details of the non-cash investing and financing activity.

The accompanying notes are an integral part of these financial statements.

Man in the Mirror, Inc.

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, No Man Left Behind events (NMLB) (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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the accounting standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to determining the useful lives of property, furniture, and equipment and those used in the functional allocation of expenses.

Comparative Financial Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Man in the Mirror, Inc.
Notes to Financial Statements

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, 2020 and 2019, contributions in transit consisted of gifts of cash without donor restrictions totaling \$107,179 and \$61,390, respectively, that were postmarked but not received and deposited as of year-end.

Inventory

Inventory, consisting of books, CDs and DVDs, workbooks, and gifts is accounted for at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method and includes the shipping costs of inventory received.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

| | |
|------------------------------------|-------------|
| Building and building improvements | 40 years |
| Office furniture and equipment | 5 years |
| Computer equipment and software | 3 - 5 years |

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Contract Liability

Contract liability consists primarily of event fees collected in advance of the related events.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

The sale of resources, such as books, CDs, DVDs, and workbooks, and event revenue are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

The Organization assists churches with hosting men's events. The Organization receives a fee for the event materials and the church markets the event and administers the registration process. For an additional fee, the Organization can also facilitate the event.

NMLB are city-wide events. The host church enters into a contract with the Organization to hold the event. Each individual who wants to attend this event pays a tuition fee in advance of the event.

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied, which would be the point of time when the goods are shipped to the customer or the period of time when the events occur.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Debt Issuance Costs

Under the requirements of FASB ASC 835-30, debt issuance costs are presented in the accompanying statements of financial position as a reduction of the carrying amount of the long-term debt. The estimated annual amortization expense is approximately \$200 for 2021 through 2036.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. 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.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2020 and 2019, advertising costs totaled approximately \$19,700 and \$46,500, respectively.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent.

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.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 7, 2021. See Note 15 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Man in the Mirror, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions:

| <i>December 31,</i> | 2020 | 2019 |
|--|---------------------|--------------|
| Cash and cash equivalents | \$ 2,049,137 | \$ 1,367,143 |
| Contributions in transit | 107,179 | 61,390 |
| Financial assets, at year-end | 2,156,316 | 1,428,533 |
| Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions | | |
| Restricted by donors with purpose restrictions | (1,500,800) | (1,041,659) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 655,516 | \$ 386,874 |

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

Man in the Mirror, Inc.
Notes to Financial Statements

Note 4: PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment consisted of the following:

| <i>December 31,</i> | 2020 | 2019 |
|------------------------------------|---------------------|---------------------|
| 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 | 139,124 | 131,438 |
| Total property and equipment | 1,725,461 | 1,717,775 |
| Less accumulated depreciation | (234,385) | (195,481) |
| Property and equipment, net | \$ 1,491,076 | \$ 1,522,294 |

Depreciation expense amounted to \$39,100 and \$38,804 for 2020 and 2019, respectively.

Note 5: CAPITAL LEASE OBLIGATIONS

In 2016, the Organization entered into a 60 month non-cancelable capital lease agreement for two copiers. In May 2019, the Organization traded in one of these copiers for a new one and entered into a new lease agreement for the new copier and the remaining copier for 63 months.

The transaction resulted in the following non-cash investing and financing activity:

| <i>For the year ended December 31,</i> | 2019 |
|--|------------------|
| New capital lease obligation at time of inception | \$ 50,687 |
| Less balance of capital lease obligation at time of exchange | (20,780) |
| New copier obtained through new copier capital lease obligation, net of trade-in | \$ 29,907 |

In the year ended December 31, 2019, the Organization recorded a disposal of the original capital lease asset and capital lease obligation and recognized a gain of approximately \$3,000 on the trade-in. The Organization then recognized a new capital lease asset and capital lease liability. Required monthly payments on the lease are \$870.50 through August 2024.

In 2020, the Organization entered into a 63 month non-cancelable capital lease agreement for a postage meter. Required monthly payments on the lease are \$133 through November 2024.

Man in the Mirror, Inc.
Notes to Financial Statements

Note 5: CAPITAL LEASE OBLIGATIONS (Continued)

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

| <i>December 31,</i> | 2020 | 2019 |
|-------------------------------|------------------|-----------|
| Office furniture | \$ 57,932 | \$ 50,697 |
| Less accumulated depreciation | (17,558) | (6,438) |
| | \$ 40,374 | \$ 44,259 |

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

| | |
|---|-----------|
| 2021 | \$ 12,040 |
| 2022 | 12,040 |
| 2023 | 12,040 |
| 2024 | 7,555 |
| Total minimum lease payments | 43,675 |
| Less amount representing interest | 2,364 |
| Present value of net minimum lease payments | \$ 41,311 |

Note 6: LONG-TERM DEBT

Long-term debt at December 31 is as follows:

| | 2020 | 2019 |
|--|-------------------|------------|
| Twenty-year term note payable due March 4, 2036, bearing interest at 3.95%. Monthly principal and interest payments of approximately \$5,780 | \$ 766,805 | \$ 794,238 |
| Less unamortized debt issuance costs | (7,097) | (7,294) |
| | \$ 759,708 | \$ 786,944 |

During 2020, the financial institution agreed to modify the note and the interest rate decreased from 4.5% to 3.95%. No other terms and conditions of the note have changed.

Man in the Mirror, Inc.
Notes to Financial Statements

Note 6: LONG-TERM DEBT (Continued)

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. The loan is collateralized by the building, land, assignment of rents and leases on the property, and all other business assets of the Organization.

For the years ended December 31, 2020 and 2019, interest expense relating to the long-term debt was \$36,219 and \$38,280, respectively.

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

| | | |
|------------|----|------------|
| 2021 | \$ | 39,447 |
| 2022 | | 41,033 |
| 2023 | | 42,684 |
| 2024 | | 44,401 |
| 2025 | | 46,187 |
| Thereafter | | 553,053 |
| | | \$ 766,805 |

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---------------------------------|--------------|--------------|
| Restricted for specific purpose | | |
| Area Directors ministries | \$ 1,394,899 | \$ 1,039,000 |
| Founders weekend | 100,000 | - |
| Other ministry activities | 5,901 | 2,659 |
| | | \$ 1,500,800 |
| | | \$ 1,041,659 |

Man in the Mirror, Inc.
Notes to Financial Statements

Note 7: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|------------------------------------|-----------------|------------------|
| Purpose restrictions accomplished: | | |
| Donor conference | \$ - | \$ 50,000 |
| Other ministry activities | 3,058 | 11,774 |
| | \$ 3,058 | \$ 61,774 |

Note 8: REVENUE

The Organization is recognizing resource revenue at the point in time when resources are shipped to the customer or event revenue at the time the event takes place. As of December 31, 2020, there are \$463 of performance obligations to be satisfied, of which all is expected to be recognized in revenue in 2021. These performance obligations are based upon events occurring.

Contract Balances

The balance of contract liability was as follows:

| <i>December 31,</i> | 2020 | 2019 |
|---------------------|---------------|---------------|
| Beginning of year | \$ 721 | \$ 3,106 |
| End of year | \$ 463 | \$ 721 |

Note 9: OPERATING LEASES

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 that expired in August 2019. The lease was terminated one month early in July 2019. In August 2019, the Organization entered into a new lease agreement with a tenant for that same office space with a term of two years through July 2021. Lease income related to all operating leases was approximately \$10,400 and \$10,700 for the years ended December 31, 2020 and 2019, respectively and is included in the accompanying statement of activities as other revenue. Future minimum lease payments under this lease \$7,000 for the year ended December 31, 2021.

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Notes to Financial Statements

Note 10: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution 401(k) retirement plan (the Plan) covering all employees with at least six months of services. 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 \$41,100 and \$41,400, for the years ended December 31, 2020 and 2019, respectively.

Note 11: PAYCHECK PROTECTION PROGRAM

In April 2020, in response to the global pandemic, the Organization applied for and received a \$502,800 loan through the Paycheck Protection Program (PPP) granted by the Small Business Administration under the Corona Aid, Relief, and Economic Security Act (CARES Act). Under the program terms, PPP loans are forgiven and recognized as revenue if the loan proceeds are used to maintain compensation costs and employee headcount, other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the loan. The Organization applied for forgiveness of the debt and recorded the amount as contribution revenue during 2020. On February 25, 2021, the Organization received notice that the \$502,800 and related interest had been forgiven (see Note 15).

Note 12: CONCENTRATIONS

The Organization hosted a new fundraising event in 2019 that led to an increase in donations. As a result, 20% of the Organization's contribution revenue in 2019 was made up of donations from one event.

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 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash was paid during the year for:

| | 2020 | 2019 |
|--------------|-----------|-----------|
| Interest | \$ 36,219 | \$ 38,280 |
| Income taxes | \$ - | \$ - |

Note 14: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 15: SUBSEQUENT EVENTS

In 2021, the PPP loan was fully forgiven and was reported as income in 2020 (see Note 11).