

10-Q 1 v418623_10q.htm QUARTERLY REPORT

**U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: **June 30, 2015**

Commission File Number: **333-187554**

MOTIVATING THE MASSES, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

(State of other jurisdiction of
incorporation)

88-0410660

(IRS Employer ID No.)

**2121 Palomar Airport Road, Suite 300
Carlsbad, California 92011**

(Address of principal executive offices)

(760) 931-9400

(Issuer's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer (Do not check if a smaller reporting company) | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's only class of common stock issued and outstanding as of August 19, 2015, was 16,333,190 shares.

TABLE OF CONTENTS

Page No.

PART I FINANCIAL INFORMATION

| | | |
|---------|--|----|
| Item 1. | <u>Unaudited Condensed Interim Financial Statements</u> | 3 |
| | <u>Condensed Balance Sheet as of June 30, 2015 (Unaudited) and December 31, 2014 (Audited)</u> | 3 |
| | <u>Condensed Statement of Operations for the Three and Six Month Periods Ended June 30, 2015 and 2014 (Unaudited)</u> | 4 |
| | <u>Condensed Statement of Cash Flows for the for the Three and Six Month Period Ended June 30, 2015 and 2014 (Unaudited)</u> | 5 |
| | <u>Notes to Unaudited Condensed Financial Statements</u> | 6 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations/Plan of Operation.</u> | 13 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk.</u> | 16 |
| Item 4. | <u>Controls and Procedures.</u> | 16 |

PART II OTHER INFORMATION

| | | |
|----------|--|----|
| Item | | |
| Item 1. | <u>Legal Proceedings</u> | 17 |
| Item 1A. | <u>Risk Factors</u> | 17 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 17 |
| Item 3. | <u>Defaults Upon Senior Securities</u> | 17 |
| Item 5. | <u>Other Information</u> | 17 |
| Item 6. | <u>Exhibits</u> | 17 |
| | <u>Signatures</u> | 18 |

PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****MOTIVATING THE MASSES, INC**
CONDENSED BALANCE SHEETS

| | (Unaudited) June 30, 2015 | December 31, 2014 |
|---|--|------------------------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 264,658 | \$ 13,210 |
| Restricted cash | 10,600 | 10,600 |
| Accounts receivable, net | 417,885 | 428,482 |
| Prepays | 54,167 | 110,648 |
| Other receivable | 56,196 | 103,197 |
| Total Current Assets | <u>803,506</u> | <u>666,137</u> |
| Property and equipment, net | 28,652 | 29,035 |
| Other Assets: | | |
| Deposits | 6,429 | 46,218 |
| Intellectual property | 1,836 | 1,836 |
| Total Other Assets | <u>8,265</u> | <u>48,054</u> |
| Total Assets | <u>\$ 840,423</u> | <u>\$ 743,226</u> |
| | | |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 51,230 | \$ 146,717 |
| Deferred revenue | 528,912 | 427,529 |
| Line of credit | 4,128 | 7,088 |
| Total Current Liabilities | <u>584,270</u> | <u>581,334</u> |
| Total Liabilities | <u>584,270</u> | <u>581,334</u> |
| Stockholders' Equity: | | |
| Preferred Stock, \$0.001 Par value, 1,000,000 shares authorized, No shares issued and outstanding | - | - |
| Common Stock, \$0.001 Par value, 75,000,000 shares authorized 16,343,190 and 15,624,300 shares issued and outstanding, respectively | 16,343 | 15,624 |
| Stock subscription receivable | (11,000) | (11,000) |
| Additional paid in capital | 2,898,575 | 2,539,850 |
| Accumulated deficit | (2,647,765) | (2,382,582) |
| Total Stockholders' Equity | <u>256,153</u> | <u>161,892</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 840,423</u> | <u>\$ 743,226</u> |

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

MOTIVATING THE MASSES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|-------------------|--------------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$ 1,300,677 | \$ 987,992 | \$ 2,172,474 | \$ 1,673,222 |
| Costs of services | <u>519,357</u> | <u>363,444</u> | <u>816,751</u> | <u>585,289</u> |
| Gross Profit | <u>781,320</u> | <u>624,478</u> | <u>1,355,723</u> | <u>1,087,933</u> |
| Operating Expenses: | | | | |
| Bad debt | 17,600 | 18,955 | 11,703 | 28,480 |
| Consulting | 162,326 | 104,002 | 332,251 | 200,150 |
| General and administrative | 157,032 | 175,568 | 278,008 | 281,381 |
| Professional fees | 71,795 | 15,500 | 113,055 | 42,900 |
| Wages and other compensation | <u>287,886</u> | <u>141,329</u> | <u>537,445</u> | <u>346,921</u> |
| Total Operating Expenses | <u>696,639</u> | <u>455,354</u> | <u>1,272,462</u> | <u>899,832</u> |
| Income from Operations | <u>84,681</u> | <u>169,124</u> | <u>83,261</u> | <u>188,101</u> |
| Net Income Before Income Taxes | <u>84,681</u> | <u>169,140</u> | <u>83,261</u> | <u>188,174</u> |
| Income Taxes | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Income | <u>\$ 84,681</u> | <u>\$ 169,140</u> | <u>\$ 83,261</u> | <u>\$ 188,147</u> |
| Net Income per Share - Basic and Diluted | <u>\$ 0.00</u> | <u>\$ 0.01</u> | <u>\$ 0.00</u> | <u>\$ 0.01</u> |
| Weighted average number of shares outstanding - Basic and Diluted | <u>16,320,216</u> | <u>15,010,895</u> | <u>15,979,407</u> | <u>15,016,441</u> |

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

MOTIVATING THE MASSES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

| | For the Six Months Ended June 30, | |
|---|--------------------------------------|-------------------|
| | 2015 | 2014 |
| OPERATING ACTIVITIES: | | |
| Net income for the Period | \$ 83,261 | \$ 188,174 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 7,022 | 7,857 |
| Changes in operating assets and liabilities | | |
| Accounts receivables | 10,597 | (567,900) |
| Other receivable | 47,001 | 200 |
| Prepaid expenses | 56,481 | (3,325) |
| Deferred revenue | 101,383 | 124,579 |
| Deposits | 39,790 | (39,623) |
| Accounts payable & accrued expenses | (95,488) | (2,697) |
| Net cash provided by (used in) operating activities | <u>250,047</u> | <u>(292,762)</u> |
| INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (6,639) | (11,995) |
| Net cash used in investing activities | <u>(6,639)</u> | <u>(11,995)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from line of credit | 49,123 | 37,265 |
| Repayments on line of credit | (52,083) | (38,059) |
| Common stock issued for cash | 11,000 | 173,850 |
| Net cash provided by financing activities | <u>8,040</u> | <u>173,056</u> |
| Net Increase (Decrease) in Cash | 251,448 | (131,701) |
| Cash at beginning of period | <u>13,210</u> | <u>232,206</u> |
| Cash at end of period | <u>\$ 264,658</u> | <u>\$ 100,505</u> |
| Cash paid during period: | | |
| Interest | \$ - | \$ - |
| Franchise and income taxes | \$ - | \$ - |
| Royalty stock dividends | \$ 348,444 | \$ - |

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Motivating the Masses, Inc. (the "Company") was incorporated under the laws of the state of Nevada on September 2, 1998. The Company was founded by Lisa S. Nichols for the purpose of providing high quality resources for business coaching, and professional and management development techniques both on the local and national scale.

The Company's products and services revolve around the personal life coaching program written and developed by their CEO Lisa Nichols. The program sells as a package of books and DVD's at their local and national training seminars, and on the Company's website. The Company has contract rights to the sales of the product. The Company, through their CEO and a core team of coaches, also provide training and development programs through local and national seminars, on-site employee training, public and private speaking engagements, and customized life-coaching programs.

In February of 2013, the Company amended its Articles of Incorporation to provide for an increase in its' authorized share capital. The authorized common stock increased to 75,000,000 shares at a par value of \$0.001 per share.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature and considered necessary for a fair presentation of its financial condition and results of operations for the interim periods presented in this Quarterly Report on Form 10-Q have been included. Operating results for the interim periods are not necessarily indicative of financial results for the full year. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on date. In preparing these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the unaudited condensed interim financial statements and the reported amount of revenues and expenses during the reporting periods.

Use of estimates

The preparation of unaudited condensed interim financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Such estimates include management's assessments of the carrying value of certain assets, useful lives of assets, and related depreciation and amortization methods applied.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. During the six months period ended June 30, 2015, the Company may have had cash deposits that exceeded Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company maintains its cash balances at high quality financial institutions to mitigate this risk. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company records an allowance for doubtful accounts in accordance with the procedures discussed below. Past-due amounts are written off against the allowance for doubtful accounts when collections are believed to be unlikely and all collection efforts have ceased.

Cash

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. As of June 30, 2015 and December 31, 2014, the Company had no cash equivalents.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

Fair value of financial instruments

The Company adopted the provisions of FASB ASC 820 (the “Fair Value Topic”) which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements.

The Fair Value Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into six broad levels.

The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

A) Market approach—Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

B) Cost approach—Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

C) Income approach—Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date. An active market for an asset or liability is a market in which transactions for the asset or liability occur with significant frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Example of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on the Company’s assessment of the assumptions that are market participants would use in pricing the asset or liability.

The carrying amount of the Company’s financial assets and liabilities, such as cash, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate their fair value because of the short maturity of those instruments.

The Company had no assets and/or liabilities measured at fair value on a recurring basis at June 30, 2015 and December 31, 2014, respectively, using the market and income approaches.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable related to the products and services sold are recorded at the time revenue is recognized, and are presented on the balance sheet net of allowance for doubtful accounts. The ultimate collection of the receivable may not be known for several months after services have been provided and billed.

The Company has established an allowance for doubtful accounts based upon factors pertaining to the credit risk of specific customers, analyses of current and historical cash collections, and the aging of receivables. Delinquent accounts are written-off when the likelihood for collection is remote and/or when the Company believes collection efforts have been fully exhausted and the Company does not intend to devote any additional efforts in an attempt to collect the receivable. The Company adjusts their allowance for doubtful accounts balance on a quarterly basis. The quarterly adjustment to allowance for doubtful accounts is calculated at 5% of Accounts Receivable and adjusted to reflect this amount.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is computed by the straight-line method over the assets estimated useful life of (3) years for equipment, (5) years for automobile, and (7) years for furniture and fixtures. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

Identifiable Intangible Assets

As of June 30, 2015 and December 31, 2014, \$1,836, respectively of costs related to acquiring intellectual property have been capitalized. It has been determined that the intellectual property has an indefinite useful life and is not subject to amortization. However, the intellectual property will be reviewed for impairment annually or more frequently if impairment indicators arise.

Impairment of long-lived assets

The Company follows paragraph ASC350 of the FASB Accounting Standards Codification for its long-lived assets. The Company's long-lived assets, such as intellectual property, are required to be reviewed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives.

The Company determined that there were no impairments of long-lived assets as of June 30, 2015 and December 31, 2014.

Commitments and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

Revenue recognition

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. In addition, the Company records allowances for accounts receivable that are estimated to not be collected.

A portion of the Company's revenues are from coaching and/or training services provided under contracts that are greater than one month in length. These contracts are billed in total at the onset of the contract period, and to the extent that billings exceed revenue earned, the Company will record such amount as deferred revenue until the revenue is earned. We recognize revenue on these contracts in the period the coaching and/or training services are provided under the contract. Expenses associated with providing the coaching and/or training services are recognized in the period the services are provided which coincides with when the revenue is earned.

Income taxes

The Company follows Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases

of assets and liabilities using enacted tax rates in effect for the fiscal year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”) with regards to uncertainty in income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its assets and/or liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Stock-Based Compensation

In December 2004, the FASB issued FASB Accounting Standards Codification No. 718, *Compensation – Stock Compensation*. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively.

Equity instruments (“instruments”) issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 718. FASB Accounting Standards Codification No. 505, *Equity Based Payments to Non-Employees* defines the measurement date and recognition period for such instruments. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

Net income (loss) per share

The Company computes basic and diluted earnings per share amounts pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic earnings per share is computed by dividing net income (loss) available to common shareholders, by the weighted average number of shares of common stock outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted earnings per share is computed by dividing net income (loss) available to common shareholders by the diluted weighted average number of shares of common stock during the period. The diluted weighted average number of common shares outstanding is the basic weighted number of shares adjusted as of the first day of the year for any potentially diluted debt or equity.

There were no potentially dilutive shares outstanding as of June 30, 2015 and December 31, 2014, respectively.

Subsequent events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued.

Recently issued accounting pronouncements

We have decided to take advantage of the exemptions provided to emerging growth companies under the JOBS Act and as a result our financial statements may not be comparable to companies that comply with public company effective dates. We may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, delay compliance with new or revised accounting standards that have different effective dates for public and private companies until they are made applicable to private companies.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

Company management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying unaudited condensed financial statements.

NOTE 3 - GOING CONCERN

These unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is contingent upon its ability to achieve and maintain profitable operations, and the Company's ability to raise additional capital as required.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These unaudited condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 and December 31, 2014 consisted of the following:

| | June 30, 2015 | December 31, 2014 |
|---------------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 464,182 | \$ 460,588 |
| Less: Allowance for doubtful accounts | (46,297) | (32,106) |
| | <u>\$ 417,885</u> | <u>\$ 428,482</u> |

For the three months ended June 30, 2015 and 2014, the Company recorded bad debt expense of \$17,600 and \$18,954, respectively. For the six months ended June 30, 2015 and 2014, the Company recorded bad debt expense of \$11,703 and 28,480, respectively.

In the year ended December 31, 2014, the Company wrote off \$207,176 of uncollectible customer accounts using the allowance method of accounting. This resulted in a reduction of both accounts receivable and allowance for doubtful accounts in the amounts of \$207,176. The Company adjusts its Allowance for Doubtful Accounts based on 5% of Accounts Receivable and adjusts Quarterly. As of the six months ended June 30, 2015, the Company adjusted its allowance for doubtful accounts to 10% to better align with year end adjustments. There were no write offs for the six month period ended June 30, 2015.

NOTE 5 – PROPERTY AND EQUIPMENT

Fixed assets, stated at cost, less accumulated depreciation at June 30, 2015 and December 31, 2014, consisted of the following:

| | June 30, 2015 | December 31, 2014 |
|--------------------------------|------------------|-------------------|
| Equipment | \$ 63,351 | \$ 56,712 |
| Furniture & Fixtures | 16,905 | 16,905 |
| Less: Accumulated Depreciation | (51,604) | (44,582) |
| Net Fixed Assets | <u>\$ 28,652</u> | <u>\$ 29,035</u> |

Depreciation expense

Depreciation expense for the three months ended June 30, 2015 and June 30, 2014 was \$3,773 and \$2,767, respectively. Depreciation expense for the six months ended June 30, 2015 and 2014 was \$7,022, and \$7,857 respectively.

NOTE 6 – LINE OF CREDIT

In October of 2012, the Company entered into a revolving line of credit with a financial institution in the amount of \$10,000. The line of credit carries an interest rate of 6.00%, and is collateralized by certain assets of the Company. As of June 30, 2015 and December 31, 2014, the balance owed was \$4,128 and \$7,088 respectively.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

NOTE 7 – DEFERRED REVENUES

A portion of the Company's revenues are from coaching and/or training services provided under contracts that are greater than one month in length. These contracts are billed in total at the onset of the contact period, and to the extent that billings exceed revenue earned, the Company will record such amount as deferred revenue until the revenue is earned. We recognize revenue on these contracts in the period the coaching and/or training services are provided under the contract. Expenses associated with providing the coaching and/or training services are recognized in the period the services are provided which coincides with when the revenue is earned and recognized

As of June 30, 2015 and December 31, 2014, the Company has a deferred revenues balance of \$528,912 and \$427,529.

NOTE 8 – COMMITMENTS & CONTINGENCIES

Service Agreement

On April 25, 2014, the Company entered into a Contracted Services Agreement ("CSA") with The Steve Harvey Companies ("TSHC") which was effective March 8, 2014. Pursuant to the CSA, the Company will participate in six conferences with TSHC in various U.S. locations through August 2014 and are participating in the development of additional programs to leverage books and other products marketed by TSHC. The CSA requires TSHC to pay us \$250,000 on a payment plan as follows; 3/8/14 \$50,000, 5/1/14 \$50,000, 7/1/14 \$50,000, 8/1/14 \$50,000, 9/30/14 \$50,000. The Company has received the \$50,000 March 2014 payment. The Company will receive 30% allocation of revenue from developed products with TSHC. In May of 2014, the company elected to change the payment option election to Option No. 2 in the contract. This Option No. 2 allowed for the balance due of \$200,000 to be paid in full on August 30, 2014. As of September 30, 2014, the Company is owed \$200,000 by TSHC. This contract has been completed and paid with the exception of an outstanding balance of \$50,000 which will be paid in Q3 of 2015.

Lease

The Company currently occupies office space at 2121 Palomar Airport Road, Carlsbad, California. The Company signed an eleven month lease agreement starting September 1, 2011 to July 31, 2012 for \$3,159 per month. In July of 2012, the Company renewed the three year lease for the same office space starting August 1, 2012, for \$3,127 a month for the first year, \$5,686 a month for the second year, and \$5,844 a month for the third year.

Minimum future rental payments under the agreement are as follows:

The Company is currently holding over in their current space as they survey other spaces to relocate. The current holdover rate is 150% of the previous base rent, or \$8,766 per month on a month to month basis.

NOTE 9 – RELATED PARTY TRANSACTIONS

Employment Agreement

On January 1, 2015, the Company signed employment agreements with its three officers who also make up the Board of Directors. Each employment agreement is for one year starting January 1, 2015. The employment agreement with the Company's Chief Executive Officer Lisa Nichols calls for an annual salary of \$225,000. The employment agreement with the Company's President and Chief Operating Officer Susie Carder calls for an annual salary of \$200,000. The employment agreement with the Company's Chief Financial Officer Alex Henderson was dated October 15, 2014 and calls for an annual salary of \$100,000. The employment agreements to the three officers stipulate a potential bonus at the discretion of the Board of Directors.

MOTIVATING THE MASSES, INC.
Notes to Unaudited Condensed Financial Statements

NOTE 10 – STOCKHOLDERS' EQUITY

Common and Preferred Shares authorized

The Company was incorporated on September 2, 1998, at which time the Company authorized 3,000,000 shares of Common Stock with \$0.001 par value and 1,000,000 shares of Preferred Stock with \$0.001 par value.

Preferred Stock - There are 1,000,000 shares of authorized preferred stock, par value \$0.001 per share, with no shares of preferred stock issued or outstanding.

Common Stock - There are 75,000,000 shares of authorized common stock, par value \$0.001 per share, with 16,333,190 and 15,624,300 issued and outstanding as of June 30, 2015 and December 31, 2014, respectively. Each holder of common stock is entitled to one vote for each share held. During six months period ended June 30, 2015, we did not repurchase any shares of our common stock.

In the six months ended June 30, 2015, the Company issued 696,890 common shares as a stock dividend to current shareholders as loyalty shares based on their investment on March 31, 2015 at fair value.

PART I.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

OVERVIEW AND HISTORY

Motivating the Masses, Inc., a Nevada corporation (we, us, our, or the "Company") was incorporated in the State of Nevada on September 2, 1998 to engage in providing top-quality professional development and coaching services to its clientele. The Company's products and services revolve around the personal and business-coaching programs written and developed by their CEO Lisa Nichols. The program sells as a package of books and DVD's at their local and national training seminars, and on the Company's website. The Company has contract rights to the sales of the product. The Company, through its CEO and a core team of coaches, also provides training and development programs through local and national seminars, on-site employee training, public and private speaking engagements, and customized life-coaching programs.

We qualify as an "emerging growth company" under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay" and "say-on-frequency;" and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO's compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

We also qualify as a smaller reporting company under Rule 12b-2 of the Securities Exchange Act of 1934, as amended. As a smaller reporting company and so long as we remain a smaller reporting company, we benefit from similar exemptions and exclusions as an emerging growth company. In the event that we cease to be an emerging growth company as a result of a lapse of the five year

period, but continue to be a smaller reporting company, we would continue to be subject to similar exemptions available to emerging growth company until such time as we were no longer a smaller reporting company.

Our principal place of business is located at 2121 Palomar Airport Road, Suite 300, Carlsbad, California 92011. Our phone number is 760-931-9400.

We have not been subject to any bankruptcy, receivership or similar proceeding.

Results of Operations

Revenues

Revenues for the three months ended June 30, 2015 were \$1,300,677 compared to \$987,922 for the three months ended June 30, 2014 which was an increase of \$314,994, or 31.96%. The increase in revenues was mainly due to an increase in sales from training workshop seminars and events. Moreover, toward the end of 2013, the Company developed a product series named World Class Speakers Alliance which we have begun selling with much success in our events since inception and throughout the three months ended June 30, 2015.

Revenues for the six months ended June 30, 2015 were \$2,172,474 compared to \$1,673,222 for the six months ended June 30, 2014 which was an increase of \$501,491, or 30%. The increase in revenues was mainly due to an increase in sales from training workshop seminars and events. Moreover, toward the end of 2013, the Company developed a product series named World Class Speakers Alliance which we have begun selling with much success in our events since inception and throughout the three months ended June 30, 2015.

The Company generates a significant amount of their revenue from holding event seminars and/or multi-day conferences which are usually held during the last nine months of each calendar year. Due to the seasonal timing when these event seminars and/or multi day conferences are held, the Company will recognize a significant amount of their revenue in the later part of each year. As a result of these seminars and/or multi day conferences, the Company is able to generate multi-month (anywhere from two to twelve months in term) consulting contracts. Therefore, the revenues reported for the second quarter ended June 30, 2015, when annualized, may be substantially lower than the revenues reported for the full fiscal year.

Cost of Revenues

The gross margin for the three months ended June 30, 2015 was 60.07% of sales compared to 63.18% for the three months ended June 30, 2014. The slight decrease in gross margin was due to a couple of factors. One factor was the addition of Sean Smith as a coach which assisted in increasing revenues but also increased the coaching expenses. Nicole Roberts Jones also increased her coaching clients and revenue which increased overall coaching commission by 25%. These factors contributed to the overall decrease in Gross Margin as the costs were more of a one-to-one revenue model as opposed to a one-to-many model. Our company strategy is to increase these coaches clients into a one-to-many model, or group coaching.

The gross margin for the six months ended June 30, 2015 was 62.4% of sales compared to 65% for the six months ended June 30, 2014. The slight decrease in gross margin was due to a couple of factors. One factor was that the event locations in the first three months of 2015 required higher costs of travel to get to. Another factor was an added event in January of 2015 which increased the company's sales but also increased the event costs. Another factor was the addition of Sean Smith as a coach which assisted in increasing revenues but also increased the coaching expenses. Nicole Roberts Jones also increased her coaching clients and revenue which increased overall coaching commission by 25%. These factors contributed to the overall decrease in Gross Margin as the costs were more of a one-to-one revenue model as opposed to a one-to-many model. Our company strategy is to increase these coaches clients into a one-to-many model, or group coaching. These factors contributed to the overall decrease in Gross Margin as the sales derived from these events will be recognized via Deferred Revenue over the next few months but the costs associated with the events were incurred in the month they were booked.

Operating Activities

Total operating income for the three months ended June 30, 2015 was \$84,681 as compared to \$169,140 for the three months ended June 30, 2014, which was a decrease of \$83,394. Total operating income for the six months ended June 30, 2015 was \$83,261 as compared to \$188,147 for the six months ended June 30, 2014, which was a decrease of \$103,288. The reason for the decrease was mainly due to the Company having incurred more consulting expense, wages and other compensation expense, and professional expense.

Operating expenses were \$696,639 for the three months ended June 30, 2015 compared to \$455,354 for the three months ended June 30, 2014, which was an increase of \$241,285. Operating expenses were \$1,272,462 for the six months ended June 30, 2015 compared to \$899,832 for the six months ended June 30, 2014, which was an increase of 372,630. The reason for the increase was mainly due to the Company having incurred more consulting expense, wages and other compensation expense, and professional expense.

Bad debt expense was 17,600 for the three months ended June 30, 2015 as compared to \$18,955 for the three months ended June 30, 2014. Which was a decrease of 1,355. Bad debt expense was \$11,703 for the six months ended June 30, 2015 as compared to \$28,480 for the six months ended June 30, 2014, which was a decrease of \$16,777. The reason for the decrease is due to the reduction in Accounts Receivable.

Consulting expense was \$162,326 for the three months ended June 30, 2015 as compared to \$104,002 for the three months ended June 30, 2014, resulting in an increase of \$58,324. The increase was due to the addition of adding compliance consultants, PR firm, attorneys and regulatory guidance consultants. Consulting expense was \$332,251 for the six months ended June 30, 2015 as compared to \$200,150, resulting in an increase of \$166,899. The increase was due to the addition of adding compliance consultants, PR firm, attorneys and regulatory guidance consultants.

Professional fees were \$71,795 for the three months ended June 30, 2015 as compared to \$15,500 for the three months ended June 30, 2014, resulting in an increase of \$52,295. The increase was due to increasing the professional services such as accounting, auditing and legal. Professional fees were \$113,055 for the six months ended June 30, 2015 as compared to \$42,900 for the six months ended June 30, 2014, resulting in an increase of \$4,453. The increase was due to adding professional consultants relating to legal compliance and auditing.

Wages and other compensation were \$287,886 for the three months ended June 30, 2015 as compared to \$141,329 for the three months ended June 30, 2014, resulting in an increase of \$146,557. The increase was due to the company expanding operations. The company added a customer service position and other increase is due to increase in executive salaries. Wages and other compensation were \$537,445 for the six months ended June 30, 2015 as compared to \$346, 921 for the six months ended June 30, 2014, resulting in an increase of \$190,524. The increase was due to the company expanding operations. The company added a customer service position and other increase is due to increase in executive salaries.

Liquidity and Capital Resources

Our cash balance is \$275,258 as of June 30, 2015 as compared to \$23,810 as of December 31, 2014.

As of June 30, 2015, total current assets were \$803,506 compared to \$666,137 at December 31 2014. The increase of \$137,369 in current assets is mainly a result of an increase in accounts receivable due to an increase of sales in the first two quarters of 2015.

As of June 30, 2015, total current liabilities were \$584,270 as compared to \$581,334 on December 31, 2014. The increase in our current liabilities is mainly due to the increase in deferred revenues which represents income to be recognized in the future as services are provided.

During the six months ended June 30, 2015, net cash provided by operating activities was \$250,047 consisting of \$10,597 decrease in accounts receivable, \$56,481 decrease in prepaids, \$101,383 increase in deferred revenues, \$39,790 decrease in deposits and \$98,448 decrease in accounts payable. For the same six months ended June 30, 2014, net cash used by operating activities was \$292,762, consisting of \$569,380 increase in accounts receivable, \$200 increase in bad debt, \$3,325 increase in prepaids, \$124,579 increase in deferred revenue, \$39,623 increase in deposits and \$2,697 decrease in accounts payable.

Net cash used in investing activities for the six months ended June 30, 2015 was \$6,639. Net cash used in investing activities for the six months June 30, 2014 was \$11,995.

Net cash provided from financing activities for the six months ended June 30, 2015, were \$8,040 consisting of \$11,000 in net proceeds from the private sale of common shares. Net cash provided from financing activities for the six months ended June 30, 2014 was mainly due to \$173,056 from the private sale of common shares.

The Company's management is reviewing new ways to cut costs and increase revenues so they can increase operational efficiency in the future. The Company is in the process of restructuring its compensation plan in a way to reduce cash expense while incentivizing increased sales. At the moment, they are reviewing a number of stock option and equity plans. The Company plans to increase the utilization of their website with users and have increased material that will be sold online in the form of instructional videos and webinars that will incrementally increase revenues without increasing costs. The costs are being incurred now through the creation of the technology but the revenues will be realized in the years to come with very minimal costs in the form of website hosting and video hosting.

Because we are currently subject to the reporting requirements of the Exchange Act of 1934, we expect that we will incur ongoing expenses associated with professional fees for accounting, legal and other expenses for annual reports and proxy statements. We estimate that these costs could range up to \$200,000 per year for the next few years and will be higher if our business volume and activity increases.

To date, our operations have been limited and we have only generated relatively limited revenues. We believe that our principal difficulty has been the lack of available capital to operate and expand our business. We believe we need additional funding for working capital and general and administrative expense. Although we have recently executed an Investment Banking Agreement with Andrew Garrett, Inc., a FINRA member broker dealer, as of the date of this Report we have no commitment from any investor to provide us with the necessary funding and there can be no assurances we will obtain such funding in the future. Failure to obtain this additional financing will have a material negative impact on our ability to generate profits in the future.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the three-month period ended June 30, 2015.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Note 2 above represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Management maintains "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission

rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer/Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this quarterly report on Form 10-Q, an evaluation was carried out by management, with the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2015.

Based on that evaluation, management concluded, that our disclosure controls and procedures may not have been effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Securities and Exchange Commission's rules and forms. After the period covered by this Report, we terminated our prior auditors, certain consultants and our counsel and have engaged new independent auditors and counsel as well as an investment bank to assist us on a going forward basis.

Changes in Internal Controls over Financial Reporting

As of the end of the period covered by this report, there have been no changes in the internal controls over financial reporting during the quarter ended June 30, 2015, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting subsequent to the date of management's last evaluation. However, as disclosed hereinabove, subsequent to the period covered by this Report, we terminated our prior auditors, certain consultants and our counsel and have engaged new independent auditors and counsel as well as an investment bank to assist us on a going forward basis. These changes are expected to ensure that our disclosure controls and procedures will be effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Securities and Exchange Commission's rules and forms subsequent to the taking of such actions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceeding, nor are we aware of any threatened actions.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included with this report.

- | | |
|------|---|
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial and Accounting Officer |
| 32.1 | Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Principal Financial and Accounting Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on August 19, 2015.

MOTIVATING THE MASSES, INC.

By: s/ Lisa Nichols

Lisa Nichols, Principal Executive Officer

By: s/ Alex Henderson

Alex Henderson, Principal Accounting Officer and Principal
Financial Officer