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**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: **March 31, 2016**

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 May 23, 2016 was 16,400,157 shares.

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

	<b>(Unaudited) March 31, 2016</b>	<b>(Audited) December 31, 2015</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 53,824	\$ 80,991
Accounts receivable	65,712	-
Other receivable	3,620	14,939
Total Current Assets	<u>123,156</u>	<u>95,930</u>
Property and equipment, net	24,680	25,810
Other Assets:		
Deposits	100,533	115,755
Total Other Assets	<u>100,533</u>	<u>115,755</u>
 Total Assets	 <u><u>\$ 248,369</u></u>	 <u><u>\$ 237,495</u></u>
 <b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 726,786	\$ 591,055
Deferred revenue	1,455,376	1,572,644
Line of credit	-	1,652
Total Current Liabilities	<u>2,182,162</u>	<u>2,165,351</u>
 Total Liabilities	 <u>2,182,162</u>	 <u>2,165,351</u>
Stockholders' Deficit:		
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 16,400,157 and 16,481,812 shares issued and outstanding, respectively	16,400	16,482
Stock subscription receivable	(27,100)	(27,100)
Additional paid in capital	2,927,001	2,967,748
Accumulated deficit	(4,850,094)	(4,884,986)
Total Stockholders' Deficit	<u>(1,933,793)</u>	<u>(1,927,856)</u>
 Total Liabilities and Stockholders' Deficit	 <u><u>\$ 248,369</u></u>	 <u><u>\$ 237,495</u></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 March 31,	
	2016	2015
Revenues	\$ 1,308,179	\$ 871,797
Costs of services	<u>601,291</u>	<u>297,394</u>
Gross Profit	<u>706,888</u>	<u>574,403</u>
Operating Expenses:		
Bad debt	-	(5,897)
Consulting	150,925	138,675
General and administrative	150,543	168,484
Professional fees	63,613	25,000
Wages and other compensation	<u>304,391</u>	<u>249,560</u>
Total Operating Expenses	<u>669,472</u>	<u>575,822</u>
Income (loss) from Operations	<u>37,416</u>	<u>(1,419)</u>
Net Income (loss) Before Income Taxes	<u>37,416</u>	<u>(1,419)</u>
Income Taxes	<u>-</u>	<u>-</u>
Net Income / (Loss)	<u>37,416</u>	<u>(1,419)</u>
Net Income (loss) per Share - Basic and Diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding - Basic and Diluted	<u>16,452,080</u>	<u>15,646,300</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 Three Months Ended March 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net income (loss) for the Period	\$ 37,416	\$ (1,419)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	2,394	3,250
Bad Debt expense (recovery)	-	(5,897)
Changes in operating assets and liabilities		
Accounts receivables	(65,712)	(67,363)
Other receivable	53,638	(53,657)
Prepaid expenses	-	37,732
Deferred revenue	(117,268)	157,303
Deposits	15,221	(5,400)
Accounts payable & accrued expenses	94,472	(94,611)
Net cash provided by (used in) operating activities	<u>20,162</u>	<u>(30,062)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,264)	-
Net cash used in investing activities	<u>(1,264)</u>	<u>-</u>
FINANCING ACTIVITIES:		
Proceeds from line of credit	16,786	21,297
Repayments on line of credit	(19,499)	(22,388)
Bank Overdraft	-	6,314
Common stock issued for cash	-	11,000
Stock repurchase	(43,352)	-
Net cash (used in) provided by financing activities	<u>(46,065)</u>	<u>16,853</u>
Net Decrease in Cash	(27,167)	(13,210)
Cash at beginning of period	<u>80,991</u>	<u>13,210</u>
Cash at end of period	<u>\$ 53,824</u>	<u>-</u>
Cash paid during period:		
Interest	\$ -	\$ -
Franchise and income taxes	\$ -	\$ -
Loyalty stock dividends	\$ 5,049	\$ -

**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 its CEO Lisa Nichols. The program sells as a package of books and DVD's at the Company's 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.

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, 2015 filed with the Securities and Exchange Commission ("SEC") on April 18, 2016. 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 GAAP 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 three months period ended March 31, 2016, 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 and cash equivalents**

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. As of March 31, 2016 and December 31, 2015, 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 March 31, 2016 and December 31, 2015, 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. The ultimate collection of the receivable may not be known for several months after services have been provided and billed.

*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 three (3) years for equipment, five (5) years for automobile, and seven (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.





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

*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 March 31, 2016 and December 31, 2015.

*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. Clients either pay in full or make payments that coincide with the progress of their programs. The Company generally will not begin services until full payment, or a down payment, is received. We offer a 3-day cancellation policy on all of our program and services.

*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.

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.

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

*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 are 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 March 31, 2016 and December 31, 2015.

*Subsequent events*

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. No material subsequent events exist through the date of this filing.

*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.

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. Management has taken certain actions and continues to implement changes designed to improve the Company's consolidated financial results and operating cash

flows. The actions involve certain cost-saving initiatives and growing strategies, including (a) product expansion, (b) optimizing online sales, and (c) maximizing media opportunities. Management believes that these actions will enable the Company to improve future profitability and cash flow in its continuing operations through December 31, 2016. As a result, 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.

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

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable at March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016	December 31, 2015
Accounts receivable	\$ 65,712	\$ -
	<u>\$ 65,712</u>	<u>\$ -</u>

For the three months ended March 31, 2016 the Company did not record a bad debt expense. For the three months ended March 31, 2015, the Company recorded a bad debt recovery of \$5,897.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Fixed assets, stated at cost, less accumulated depreciation at March 31, 2016 and December 31, 2015, consisted of the following:

	March 31, 2016	December 31, 2015
Equipment	\$ 62,577	\$ 60,073
Furniture & Fixtures	24,669	25,909
Less: Accumulated Depreciation	(62,566)	(60,172)
Property and Equipment, net	<u>\$ 24,680</u>	<u>\$ 25,810</u>

**Depreciation expense**

Depreciation expense for the three months ended March 31, 2016 and March 31, 2015 was \$2,394 and \$3,250, respectively.

**NOTE 6 – 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.

As of March 31, 2016 and December 31, 2015, the Company had deferred revenues balance of \$1,455,376 and \$1,572,644, respectively.

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

**NOTE 7 – COMMITMENTS & CONTINGENCIES**

*Lease*

The Company currently occupies office space at 2121 Palomar Airport Road, Carlsbad, California. In July of 2012, the Company signed a three year lease for the 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. 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 8 – RELATED PARTY TRANSACTIONS**

*Employment Agreements*

On May 1, 2016, the Company executed employment agreements with Lisa Nichols, Chief Executive Officer, and Susie Carder, Chief Operating Officer, who also serve on the Company's Board of Directors. Each employment agreement is for one year starting January 1, 2016. Pursuant to their employment agreements, Ms. Nichols shall receive an annual salary of \$225,000 and Ms. Carder an annual salary of \$200,000. On October 12, 2015, the Company entered into an employment agreement with Scott Ryder as the Company's Chief Financial Officer. Pursuant to his employment agreement, Mr. Ryder receives an annual salary of \$150,000. The employment agreements for the officers stipulate a potential bonus at the discretion of the Board of Directors. In the three months ended March 31, 2016, the Company did not pay any bonuses to its officers.

**NOTE 9 – STOCKHOLDERS' DEFICIT**

*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 16,400,157 and 16,481,812 issued and outstanding as of March 31, 2016 and December 31, 2015, respectively. Each holder of common stock is entitled to one vote for each share held. During the three month period ended March 31, 2016, the Company issued 5,049 shares as a stock dividend to current shareholders as loyalty shares based on their original investment as of March 31, 2015 at fair value, and repurchased 86,704 shares of its common stock for \$43,352, or \$0.50 per share.

## 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. (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 its CEO Lisa Nichols. The program sells as a package of books and DVD's at its 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 March 31, 2016 were \$1,308,179 compared to \$871,797 for the three months ended March 31, 2015, which was an increase of \$436,382 or 50%. The increase in revenues was mainly due to the addition of two *Abundance Now* Events, which were held in January and February of 2016 and collectively brought in \$595,000 in new sales.

### Cost of Revenues

The gross margin for the three months ended March 31, 2016 was 54% of sales compared to 65.9% for the three months ended March 31, 2015. The decrease in gross margin was primarily due to the Company not charging an admittance fee for either of its *Abundance Now* events. Admission was free if the attendee brought a copy of Lisa Nichols' *Abundance Now* Book or purchased a book at the event.

### Operating Activities

Total operating income for the three months ended March 31, 2016 was \$37,416 as compared to a loss of \$1,419 for the three months ended March 31, 2015, which was an increase of \$38,835. The reason for the increase was mainly due to the substantial growth in revenue coupled with a decline in its general and administrative expenses.

Consulting expense was \$150,925 for the three months ended March 31, 2016 as compared to \$138,675 for the three months ended March 31, 2015, resulting in an increase of \$12,250. The increase was primarily due to the hiring of audio/visual technicians to assist with the *Abundance Now* events as well as the *Abundant Life* on-line videos.

Professional fees were \$63,613 for the three months ended March 31, 2016 as compared to \$25,000 for the three months ended March 31, 2015, resulting in an increase of \$38,613. The increase was primarily due to added audit expenses associated with the 2015 audit and 2014 re-audit.

General and administrative expenses were \$150,543 for the three months ended March 31, 2016 as compared to \$168,484 for the three months ended March 31, 2015, resulting in a decrease of \$17,941. The decrease was primarily due to cost savings realized in banking fees and office. The Company renegotiated its merchant service contract in December 2015, which resulted in a significant cost savings beginning January 1, 2016.

Wages and other compensation were \$304,391 for the three months ended March 31, 2016 as compared to \$249,560 for the three months ended March 31, 2015, resulting in an increase of \$54,741. The company added a customer service position in mid-2015 to support its sales growth.

### Liquidity and Capital Resources

Our cash balance was \$53,824 as of March 31, 2016 as compared to \$80,991 as of December 31, 2015.

As of March 31, 2016, total current assets were \$123,156 compared to \$95,930 at December 31 2015. The increase of \$27,226 in current assets is mainly a result of an increase in its deposits for upcoming events in 2016.

As of March 31, 2016, total current liabilities were \$2,182,162 as compared to \$2,165,351 on December 31, 2015. The increase in our current liabilities is mainly due to the increase in accounts payable associated with the *Abundance Now* events.

During the three months ended March 31, 2016, net cash provided by operating activities was \$20,162 consisting of a \$65,712 increase in accounts receivable, \$53,638 decrease in other receivables, \$117,268 decline in deferred revenues, \$15,221 decline in deposits and \$94,472 increase in accounts payable.

Net cash used in investing activities for the three months ended March 31, 2016 was \$1,264. Net cash used in investing activities for the three months ended March 31, 2015 was \$ -0-.

Net cash used from financing activities for the three months ended March 31, 2016, was \$46,065 consisting primarily of the repurchase of common shares for \$43,352.

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. The Company's 2016 Equity Incentive Plan (the "2016 Plan", filed as Exhibit A to its Definitive Information Statement on Schedule 14C filed with the SEC on April 29, 2016) was adopted by the Board of Directors on April 26, 2016 and approved by its shareholders holding a majority of the Company's shares of Common Stock via written consent on April 26, 2016. 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 \$250,000 per year for the next few years and will be higher if our business volume and activity increases.

#### **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 March 31, 2016.

#### **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 GAAP. 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 and 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 and 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 March 31, 2016.

Based on that evaluation, management concluded, that our disclosure controls and procedures were effective as of March 31, 2016 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, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**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 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.

**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 and filed with this report.

<b>Exhibit</b>	<b>Exhibit Description</b>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Definition
10.1	Employment Agreement with Lisa Nichols, dated May 1, 2016
10.2	Employment Agreement with Susie Carder, dated May 1, 2016
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	Section 1350 certification of Chief Executive Officer
32.2	Section 1350 certification of principal financial and accounting officer

**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 May 23, 2016.

**MOTIVATING THE MASSES, INC.**

By: s/ Lisa Nichols  
Lisa Nichols, Chief Executive Officer (Principal Executive Officer)

By: s/ Scott Ryder  
Scott Ryder, Chief Financial Officer (Principal Accounting Officer and Principal Financial Officer)