# MennoMedia, Inc.

## Financial Report

### June 30, 2018

SIMON LEVER

BUSINESS ADVISORS & CPAs

ADVICE WHEN IT MATTERS MOST

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SIMON LEVER
BUSINESS ADVISORS & CPAs

# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
MennoMedia, Inc.
Harrisonburg, Virginia 22801

We have reviewed the accompanying financial statements of MennoMedia, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



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**Supplementary Information**

The supplementary information included on pages 17-19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Simon Lever LLC

**Simon Lever** LLC
Lititz, PA

October 29, 2018

FINANCIAL STATEMENTS

**MennoMedia, Inc.**

## STATEMENTS OF FINANCIAL POSITION
**June 30, 2018 and 2017**
**See Independent Accountant's Review Report**

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 116,866 | 146,361 |
| Accounts receivable, net of allowance for doubtful accounts of 2018-$8,000; 2017-$8,000 | 239,235 | 281,971 |
| Inventories | 191,266 | 248,543 |
| Prepaid expenses | 100,737 | 85,073 |
| Total Current Assets | 648,104 | 761,948 |
| PROPERTY AND EQUIPMENT, Net of accumulated depreciation of 2018-$142,189; 2017-$209,767 | 17,007 | 19,960 |
| OTHER ASSETS | | |
| Finished goods inventory, net, in excess of amounts expected to be sold currently | 138,186 | 136,860 |
| Security deposits | 2,600 | 7,000 |
| Total Other Assets | 140,786 | 143,860 |
| TOTAL ASSETS | 805,897 | 925,768 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Line of credit | 115,497 | 0 |
| Current portion of pension liability | 6,057 | 9,341 |
| Accounts payable | 242,574 | 170,170 |
| Unearned subscription revenue | 68,923 | 67,379 |
| Accrued expenses and other payables | 71,935 | 92,380 |
| Total Current Liabilities | 504,986 | 339,270 |
| LONG-TERM LIABILITIES | | |
| Pension liability, net of current portion | 46,084 | 64,929 |
| Total Long-Term Liabilities | 46,084 | 64,929 |
| TOTAL LIABILITIES | 551,070 | 404,199 |
| NET ASSETS | | |
| Unrestricted | 130,946 | 404,790 |
| Temporarily restricted | 123,881 | 116,779 |
| Total Net Assets | 254,827 | 521,569 |
| TOTAL LIABILITIES AND NET ASSETS | 805,897 | 925,768 |

See Notes to Financial Statements

**MennoMedia, Inc.**

## STATEMENTS OF ACTIVITIES
**For the Years Ended June 30, 2018 and 2017**
**See Independent Accountant's Review Report**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Changes in Net Assets | | | | |
| Sales | | | | |
| Herald Press | 873,393 | 38.8 | 974,518 | 40.1 |
| Church Resources | 1,375,608 | 61.2 | 1,446,420 | 59.5 |
| Electronic Media | 368 | 0.0 | 9,743 | 0.4 |
| Total Sales | 2,249,369 | 100.0 | 2,430,681 | 100.0 |
| Cost of Sales | 586,608 | 26.1 | 586,827 | 24.1 |
| Gross Margin | 1,662,761 | 73.9 | 1,843,854 | 75.9 |
| Functional Expenses | | | | |
| Program - Herald Press | 380,741 | 16.9 | 357,145 | 14.7 |
| Program - Church Resources | 1,004,729 | 44.7 | 916,842 | 37.7 |
| Program - Electronic Media | 2,451 | 0.1 | 66,095 | 2.7 |
| Fundraising | 59,279 | 2.6 | 83,651 | 3.4 |
| General and Administrative | 872,982 | 38.8 | 1,064,707 | 43.8 |
| Total Functional Expenses | 2,320,182 | 103.1 | 2,488,440 | 102.3 |
| Operating Loss | (657,421) | (29.2) | (644,586) | (26.4) |
| Other Income (Expense) | | | | |
| Contributions received | 360,369 | 16.0 | 353,503 | 14.5 |
| Rental income | 11,425 | 0.5 | 56,144 | 2.3 |
| Interest income | 307 | 0.0 | 580 | 0.0 |
| Loss on foreign currency exchange | (4,282) | (0.2) | (2,213) | (0.1) |
| Interest expense | (1,693) | (0.1) | (6,032) | (0.2) |
| Bad debt expense | (1,379) | (0.1) | (2,099) | (0.1) |
| Pension recovery | 14,146 | 0.6 | 32,482 | 1.3 |
| Gain (loss) on sale of property and equipment | (1,731) | (0.1) | 673,747 | 27.7 |
| Miscellaneous income | 4,432 | 0.2 | 6,188 | 0.3 |
| Net assets released from temporary restrictions | 1,983 | 0.1 | 33,208 | 1.4 |
| Total Other Income | 383,577 | 16.9 | 1,145,508 | 47.1 |
| Increase (Decrease) in Unrestricted Net Assets | (273,844) | (12.3) | 500,922 | 20.7 |
| Changes in Temporarily Restricted Net Assets | | | | |
| Contributions received | 9,085 | 0.4 | 1,998 | 0.1 |
| Net assets released from temporary restrictions | (1,983) | (0.1) | (33,208) | (1.4) |
| Increase (Decrease) in Temporarily Restricted Net Assets | 7,102 | 0.3 | (31,210) | (1.3) |
| Increase (Decrease) in Net Assets | (266,742) | (12.0) | 469,712 | 19.4 |

See Notes to Financial Statements

## STATEMENTS OF CHANGES IN NET ASSETS
**For the Years Ended June 30, 2018 and 2017**
**See Independent Accountant's Review Report**

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| | $ | $ | $ |
| Net Assets, July 1, 2016 | (96,132) | 147,989 | 51,857 |
| Changes in net assets | 500,922 | (31,210) | 469,712 |
| Net Assets, June 30, 2017 | 404,790 | 116,779 | 521,569 |
| Changes in net assets | (273,844) | 7,102 | (266,742) |
| Net Assets, June 30, 2018 | 130,946 | 123,881 | 254,827 |

See Notes to Financial Statements

**MennoMedia, Inc.**

## STATEMENTS OF CASH FLOWS
### For the Years Ended June 30, 2018 and 2017
### See Independent Accountant's Review Report

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | (266,742) | 469,712 |
| Adjustments to reconcile change in net assets to change in cash from operating activities: | | |
| Change in reserve for inventory obsolescence | (26,000) | 27,470 |
| Depreciation | 8,322 | 12,952 |
| (Gain) loss on sale of property and equipment | 1,731 | (673,747) |
| Loss on foreign currency exchange | 4,282 | 2,213 |
| Change in assets and liabilities: | | |
| Accounts receivable | 42,267 | (93,349) |
| Inventories | 81,951 | (93,627) |
| Prepaid expenses | (15,664) | (16,546) |
| Security deposits | 4,400 | (7,000) |
| Accounts payable | 73,497 | 68,434 |
| Accrued expenses and other payables | (21,230) | (22,207) |
| Unearned subscription revenue | 1,544 | (7,411) |
| Pension liability | (22,129) | (44,812) |
| Net Cash Used in Operating Activities | (133,771) | (377,918) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | 0 | 326,493 |
| Purchase of property and equipment | (7,100) | (8,663) |
| Net Cash Provided by (Used in) Investing Activities | (7,100) | 317,830 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net borrowings on line of credit | 115,497 | 23,500 |
| Principal payments on long-term debt | 0 | (4,053) |
| Net Cash Provided by Financing Activities | 115,497 | 19,447 |
| Net Change in Cash and Cash Equivalents | (25,374) | (40,641) |
| Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents | (4,121) | (5,743) |
| Cash and Cash Equivalents: | | |
| Beginning | 146,361 | 192,745 |
| Ending | 116,866 | 146,361 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash payments for interest: | 1,693 | 6,032 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Long-term debt satisfied with sale of property and equipment | 0 | 504,757 |

See Notes to Financial Statements

**Notes To Financial Statements**
**See Independent Accountant's Review Report**

## Note 1 – Summary of Significant Accounting Policies

General – MennoMedia, Inc. (Organization) is the publishing and media agency of the Mennonite Church USA and the Mennonite Church Canada. The Organization's purpose is to provide resources for individuals, churches, and society from an Anabaptist Christian perspective.

MennoMedia, Inc. has two divisions: Herald Press, which publishes books for the Mennonite Church and for religious and general booksellers, and Church Resources, which publishes congregational resource materials including periodicals.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Shared Projects – The Organization has products which they have entered into a collaborative arrangement with another publisher. As a result of this arrangement, the Organization shares in expenses and net profits of this project, which are included in shared projects expense and sales, respectively.

Inventory Valuation – Inventories are carried at the lower of cost (first-in, first-out method) or net realizable value. The Organization has adopted a method of valuing obsolete inventory by setting up a reserve for obsolete inventory. Inventory obsolescence is estimated based on a review of damaged, obsolete or otherwise unsalable inventory. The review encompasses historical unit sale trends by title and current market conditions. The amount that is determined to be obsolete is set up as a reserve on the statement of financial position reducing the value of the inventory. Due to the inherent uncertainties in estimating customer demand and analyzing market conditions and sales trends, it is at least reasonably possible that the estimates used will change within the near term.

## Notes To Financial Statements
## See Independent Accountant's Review Report

**Note 1 – Summary of Significant Accounting Policies – Continued**

Property and Equipment – Property and equipment is stated at cost less accumulated depreciation. Expenditures that significantly add to productive capacity or extend the useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income. Depreciation is computed by the straight-line method at rates based on estimated service lives.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted net assets. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Long-Lived Assets – The Organization reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In such cases, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset.

Foreign Currency – Currency other than U.S. dollars is translated at the rate of exchange in effect on the balance sheet date and activity in currency other than U.S. dollars is recorded at the rate of exchange in effect at the time of the transaction. Gains and losses from foreign currency transactions are included in net assets for the period.

Subscription Revenue – Revenues from subscription sales are deferred at the time of sale. As publications are delivered to subscribers, the proportionate share of the subscription price is reflected in sales.

Contributions – Contributions are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give are recorded as received. Unconditional promises to give, which are due in the next year are recorded at their net realizable value. Unconditional promises to give which are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. Conditional promises to give are not included as support until such time as condition is substantially met.

**Notes To Financial Statements**
**See Independent Accountant's Review Report**

**Note 1 – Summary of Significant Accounting Policies – Continued**

Revenue Recognition – The Organization recognizes revenue for Herald Press, Church Resources, and Electronic Media when title, ownership and risk of loss pass to the customer. This occurs typically on shipment of the product to the customer. Returned items are recorded through net sales at the time of the return.

Functional Allocation of Expenses – The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the functions benefited.

Income Taxes – The Organization was organized as a nonprofit corporation under the laws of the Commonwealth of Virginia. The Organization is exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from Canadian income taxes.

Retirement Plans – The Organization has two defined contribution plans covering substantially all hourly and salaried employees who meet certain eligibility requirements. The Organization adopted separate plans to cover employees who are residents of the United States of America and those who are Canadian residents. The Organization contributed 8% of the employee's eligible compensation for the years ended June 30, 2018 and 2017. Contributions for the years ended June 30, 2018 and 2017 totaled $59,016 and $76,986, respectively.

The Organization is still required to make payments under a defined benefit plan that was provided to its employees prior to January 1, 1964. This plan is more fully described in Note 7.

Advertising – The Organization expenses the costs of advertising as incurred. Advertising expenses totaled $127,026 and $130,865 for the years ended June 30, 2018 and 2017, respectively.

Shipping and Handling Costs – The Organization records all costs incurred for shipping and handling in postage and delivery expenses. These costs, net of income charged to customers of $87,715 and $94,562, totaled $45,565 and $73,449 for the years ended June 30, 2018 and 2017, respectively.

Presentation of Sales Tax – The various states in which the Organization operates impose sales tax on all of the Organization's sales to non-exempt customers. The Organization collects that sales tax from customers and remits the entire amount to the various states. The Organization's accounting policy is to exclude the tax collected and remitted to the various states from revenue and cost of sales.

Subsequent Events – Events that occurred subsequent to June 30, 2018 have been evaluated by the Organization's management through the date of the independent accountant's review report, which is the date the financial statements were available to be issued.

## Note 1 – Summary of Significant Accounting Policies – Continued

Accrued Interest and Penalties Related to Unrecognized Tax Benefits – The Organization reports accrued interest and penalties related to unrecognized tax benefits as interest and penalties expense, respectively. There were no interest or penalties related to unrecognized tax benefits for the years ended June 30, 2018 and 2017.

## Note 2 – New Accounting Standards

*Issued:*

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The amendments in this update clarify the scope for determining if transactions are contributions or exchange transactions and determining if a contribution is conditional or unconditional. This accounting standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. The Organization is evaluating the impact the adoption of ASU 2018-08 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The amendments in this update include, but are not limited to, requirements for qualitative and quantitative assessments of net asset classes, investment returns, natural and functional expenses, liquidity and the availability of resources, and presentation of operating cash flows. This accounting standard is effective for fiscal years beginning after December 15, 2017. Early application is permitted. The Organization is evaluating the impact the adoption of ASU 2016-14 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than twelve months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. This accounting standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted. The Organization is evaluating the impact the adoption of ASU 2016-02 will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)," which clarifies the principles for recognizing revenue from contracts with customers. This update will replace nearly all current U.S. GAAP guidance related to revenue recognition and will eliminate industry specific guidance. The core principle of this new standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services. The standard also requires certain financial statement disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. This accounting standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. The Organization is evaluating the impact the adoption of ASU 2014-09 will have on its financial statements.

**Notes To Financial Statements**
**See Independent Accountant's Review Report**

## Note 3 – Inventories

As of June 30, 2018 and 2017 inventories consist of the following:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Finished goods | 361,596 | 391,547 |
| Reserve for inventory obsolescence | (32,144) | (6,144) |
| Total Inventories | 329,452 | 385,403 |
| Less finished goods inventory in excess of amounts expected to be sold currently | 138,186 | 136,860 |
| Total Inventories - Current | 191,266 | 248,543 |

## Note 4 – Property and Equipment

As of June 30, 2018 and 2017 property and equipment consists of the following:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Machinery and equipment | 0 | 28,172 |
| Furniture and fixtures | 159,196 | 201,555 |
| Total Cost | 159,196 | 229,727 |
| Less accumulated depreciation | 142,189 | 209,767 |
| Total Property and Equipment, Net of Accumulated Depreciation | 17,007 | 19,960 |

Depreciation charged to expense totaled $8,322 and $12,952, for the years ended June 30, 2018 and 2017, respectively.

## Note 5 – Note Payable

The Organization has a $300,000 revolving line of credit with Everence Federal Credit Union. Interest is payable monthly at the Wall Street Journal Prime rate plus 1.00%, with a floor of 5.50%. This note is secured by substantially all assets of the Organization. Drawings on this line of credit totaled $115,497 and $0 for the years ended June 30, 2018 and 2017, respectively.

## Note 6 – Foreign Currency Assets and Liabilities

The statements of financial position reflect foreign accounts in the U.S. dollar equivalent using the rate of exchange at year end. Exchange adjustments resulting from foreign currency transactions are recognized currently in the statements of activities. Foreign currency exchanges resulted in a loss of $4,282 and $2,213 for the years ended June 30, 2018 and 2017, respectively.

Included in the financial statements are translated Canadian assets and liabilities as of June 30, 2018 and 2017 as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Exchange rate at June 30 | 0.7576 | 0.7678 |
| Translated Canadian assets | 79,222 | 35,916 |
| Translated Canadian liabilities | (4,499) | (5,094) |
| Total | 74,723 | 30,822 |

## Note 7 – Pension Plan

The Organization assumed the liability and payments of Mennonite Publishing Network unfunded pension program as part of the merger. The Organization and formerly Mennonite Publishing Network has been paying benefits directly to retired employees who were covered under an unfunded pension program prior to January 1, 1964. The statements of financial position include an estimated pension liability for this obligation. When pension payments are made to the retired employees, the pension liability is reduced and an amount is charged to expense as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Beginning pension liability | 74,270 | 119,082 |
| Payments to retirees | (7,983) | (12,330) |
| Pension recovery | (14,146) | (32,482) |
| Ending Pension Liability | 52,141 | 74,270 |
| Less current portion | 6,057 | 9,341 |
| Long-Term Pension Liability | 46,084 | 64,929 |

The pension liability is calculated by an actuary and is based on the estimated remaining life expectancy of the retirees and their promised monthly benefit as adjusted using an inflationary rate based on the September to September Consumer Price Index–U. The inflationary rates for the years ended June 30, 2018 and 2017 were 2.00% and 0.66%, respectively.

## Note 8 – Related Party Transactions

The Organization rents various facilities from the Mennonite Church USA under month-to-month rental agreements. Rent expenses paid to this related party amounted to $4,863 and $6,914 for the years ended June 30, 2018 and 2017, respectively.

The Organization makes payments to other entities related to the Mennonite Church that support activities that agree with the mission of the Organization. Payments to these related entities totaled $12,667 and $25,996 for the years ended June 30, 2018 and 2017, respectively; of which $3,065 and $4,745 were payable at year end, respectively. The Organization receives rental income and other miscellaneous income from these related entities, totaling $10,223 and $9,324 for the years ended June 30, 2018 and 2017, respectively; of which $0 and $794 were receivable at year end, respectively.

## Note 9 – Shared Projects

The Organization is involved in a collaborative arrangement with another nonprofit publisher in the development, publication, and sale of curriculum ("Shine") for youth. Sales to denominations within the Mennonite Church USA and the Mennonite Church Canada, as well as incidental sales relating to these denominations are recorded in Church Resource sales and the relating cost of goods sold is recorded in cost of sales. Revenue from sales to other parties unrelated to the Mennonite Church USA and Canada are recorded in Church Resource sales, net of related cost of sales.

The Shine curriculum began in the fall of 2014. Shine sales and cost of sales to parties related to the Mennonite Church USA and Canada totaled $324,869 and $48,784 for the year ended June 30, 2018 and $342,512 and $55,720 for the year ended June 30, 2017. Resource sales totaled $179,447 and $161,651 for the years ended June 30, 2018 and 2017, respectively. The Organization owed $78,157 and $72,736 to this project for costs related to Shine at June 30, 2018 and 2017, respectively. The project owed $76,753 and $87,692 to the Organization at June 30, 2018 and 2017, respectively.

The Organization has included in inventory at June 30, 2018 and 2017, its portion of inventory related to Shine that is jointly owned with the other publisher. The Organization's portion of jointly owned inventory was $31,070 and $24,120 at June 30, 2018 and 2017, respectively.

## Note 10 – Operating Leases

In October 2017, the Organization entered into a lease agreement for office space. The agreement requires a $2,600 security deposit and monthly lease payments of $2,600 from November 2017 through October 2019, at which time the lease may be renewed for an additional one year period. Total rent expense under this lease for the year ended June 30, 2018 was $23,400. Minimum future lease payments are as follows: 2019 - $31,200; and 2020 - $10,400.

**Note 10 – Operating Leases – Continued**

The Organization has a lease agreement for office equipment. The lease requires quarterly payments of $685, plus taxes and fees, through March 2019. Total rent expense under this lease for the years ended June 30, 2018 and 2017 was $3,017 and $2,994, respectively. Minimum future lease payments are $2,055 for the year ended June 30, 2019.

In August 2016, the Organization sold their building and on September 1, 2016, entered into a lease agreement with the purchaser of the building to leaseback the building. The agreement required a $7,000 security deposit and monthly lease payments of $7,000 through February 2017, at which time the lease became month to month until the Organization moved in October, 2017. Total rent expense under this lease for the years ended June 30, 2018 and 2017, was $17,991 and $69,455, respectively.

The Organization leases office space and equipment under various leases with terms of one year or less. Total rent expense under these leases was $3,262 and $15,780 for the years ended June 30, 2018 and 2017, respectively.

The Organization subleased a portion of the building for the duration of their time as lessees of the property. Total rental income received under sublease agreements was $11,425 and $56,144 for the years ended June 30, 2018 and 2017, respectively.

**Note 11 – Income Taxes**

The Organization was granted an exemption from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization may allocate direct expenses between exempt functions and the unrelated business activities when calculating the unrelated business income. The Organization follows Generally Accepted Accounting Principles, which requires an asset and liability approach to financial accounting and reporting for income taxes. The differences between the financial statement and tax basis of assets and liabilities are determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income.

Valuation allowances are established, if necessary, to reduce the deferred tax asset and/or liability to the amount that will "more likely than not" be realized.

At June 30, 2018 and 2017, the Organization had net operating loss carryforwards totaling approximately $125,000, which may be offset against future taxable income. The net operating loss carryforwards were brought into MennoMedia, Inc. by Mennonite Publishing Network as a result of the merger and will expire starting in 2021 through 2025. A deferred tax asset has not been recognized for the years ended June 30, 2018 and 2017 due to management's expectation that the net operating loss carryforwards may not be utilized.

**Notes To Financial Statements**
**See Independent Accountant's Review Report**

## Note 12 – Net Assets

Temporarily restricted net assets are available for the following purposes:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Publishing | 102,247 | 94,655 |
| Electronic Media | 21,634 | 22,002 |
| Curriculum | 0 | 122 |
| Total Temporarily Restricted Net Assets | 123,881 | 116,779 |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Publishing | 1,494 | 32,741 |
| Electronic Media | 367 | 467 |
| Curriculum | 122 | 0 |
| Total Net Assets Released from Restrictions | 1,983 | 33,208 |

SUPPLEMENTARY INFORMATION

## STATEMENTS OF FINANCIAL POSITION DETAIL
**June 30, 2018 and 2017**
**See Independent Accountant's Review Report**

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| PREPAID EXPENSES | | |
| Insurance | 2,574 | 2,307 |
| Advanced royalties | 67,629 | 52,510 |
| Asbestos escrow | 10,000 | 10,000 |
| Other | 20,534 | 20,256 |
| Total Prepaid Expenses | 100,737 | 85,073 |
| ACCRUED EXPENSES AND OTHER PAYABLES | | |
| Salaries and wages | 15,624 | 20,078 |
| Vacation wages | 21,493 | 23,626 |
| Royalties | 28,488 | 39,975 |
| Security deposit | 0 | 800 |
| Other accrued expenses | 6,330 | 7,901 |
| Total Accrued Expenses and Other Payables | 71,935 | 92,380 |

MennoMedia, Inc.

**STATEMENT OF ACTIVITIES DETAIL**
**For the Year Ended June 30, 2018**
**See Independent Accountant's Review Report**

| | Program - Herald Press | Program - Church Resources | Program - Electronic Media | Fundraising | General and Administrative | Total Functional Expenses | |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % of Sales |
| FUNCTIONAL EXPENSES | | | | | | | |
| Salaries and wages | 44,117 | 315,426 | | 25,516 | 374,567 | 759,626 | 33.8 |
| Payroll taxes | 3,421 | 22,977 | | 1,793 | 26,388 | 54,579 | 2.4 |
| Employee benefits | 1,652 | 21,193 | | | 34,263 | 57,108 | 2.5 |
| Retirement plan | 3,578 | 25,745 | | 1,899 | 27,794 | 59,016 | 2.6 |
| Supplies | 196 | 5,332 | | 17,522 | 13,201 | 36,251 | 1.6 |
| Repairs and maintenance | | | | | 84,669 | 84,669 | 3.8 |
| Warehousing and fulfillment | 91,741 | 48,913 | | | | 140,654 | 6.3 |
| Postage and delivery | 5,414 | 18,603 | | 2,400 | 19,148 | 45,565 | 2.0 |
| Travel | 2,909 | 60,273 | | 9,213 | 38,626 | 111,021 | 4.9 |
| Insurance | | | | 543 | 22,641 | 23,184 | 1.0 |
| Dues and subscriptions | | 8,812 | | | 860 | 9,672 | 0.4 |
| Professional fees | 29,822 | 74,799 | | 50 | 99,532 | 204,203 | 9.1 |
| Advertising and promotion | 99,631 | 18,460 | | | 8,935 | 127,026 | 5.7 |
| Royalty fees | 77,445 | 5,997 | | | | 83,442 | 3.7 |
| Shared projects | | 331,135 | | | | 331,135 | 14.7 |
| Manuscripts | 1,509 | 36,005 | | | | 37,514 | 1.6 |
| Art and photo | 2,075 | 8,457 | | | | 10,532 | 0.5 |
| Rent | 296 | | | | 52,237 | 52,533 | 2.3 |
| Telephone | | 1,124 | | 242 | 26,627 | 27,993 | 1.2 |
| Utilities | | | | | 6,513 | 6,513 | 0.3 |
| Depreciation | | | | | 8,322 | 8,322 | 0.4 |
| Comp costs | 10,512 | 948 | 2,451 | | 116 | 14,027 | 0.6 |
| Bank charges | | | | | 24,914 | 24,914 | 1.1 |
| Miscellaneous | 6,423 | 530 | | 101 | 3,629 | 10,683 | 0.5 |
| Total | 380,741 | 1,004,729 | 2,451 | 59,279 | 872,982 | 2,320,182 | 103.1 |

## STATEMENT OF ACTIVITIES DETAIL
**For the Year Ended June 30, 2017**
**See Independent Accountant's Review Report**

| | Program - Herald Press | Program - Church Resources | Program - Electronic Media | Fundraising | General and Administrative | Total Functional Expenses | |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % of Sales |
| FUNCTIONAL EXPENSES | | | | | | | |
| Salaries and wages | 42,151 | 318,464 | 44,522 | 49,526 | 486,806 | 941,469 | 38.7 |
| Payroll taxes | 3,157 | 23,045 | 2,544 | 3,604 | 32,883 | 65,233 | 2.7 |
| Employee benefits | 1,517 | 20,912 | 6,860 | | 40,853 | 70,142 | 2.9 |
| Retirement plan | 3,415 | 25,804 | 3,692 | 3,943 | 40,132 | 76,986 | 3.2 |
| Supplies | 542 | 4,643 | 33 | 12,244 | 22,981 | 40,443 | 1.7 |
| Repairs and maintenance | | | | | 63,708 | 63,708 | 2.6 |
| Postage and delivery | 14,202 | 24,409 | 65 | 6,520 | 28,253 | 73,449 | 3.0 |
| Travel | 1,764 | 32,626 | | 5,516 | 41,479 | 81,385 | 3.4 |
| Insurance | | | | 559 | 17,094 | 17,653 | 0.7 |
| Dues and subscriptions | | 5,239 | | | 250 | 5,489 | 0.2 |
| Professional fees | 45,144 | 60,825 | 299 | 1,386 | 122,164 | 229,818 | 9.5 |
| Advertising and promotion | 114,599 | 16,266 | | | | 130,865 | 5.4 |
| Royalty fees | 91,183 | 3,011 | | | | 94,194 | 3.9 |
| Shared projects | | 327,254 | | | | 327,254 | 13.5 |
| Manuscripts | 6,479 | 40,290 | 1,891 | | | 48,660 | 1.9 |
| Art and photo | 7,604 | 7,735 | | | | 15,339 | 0.6 |
| Rent | | 1,728 | | | 93,415 | 95,143 | 3.9 |
| Telephone | 600 | 682 | 3 | 246 | 20,986 | 22,517 | 0.9 |
| Utilities | | | | | 14,413 | 14,413 | 0.6 |
| Depreciation | | | | | 12,952 | 12,952 | 0.5 |
| Comp costs | 20,295 | 3,827 | 6,148 | | 74 | 30,344 | 1.3 |
| Bank charges | | | | | 18,377 | 18,377 | 0.8 |
| Contributions | | | | | 6,700 | 6,700 | 0.3 |
| Miscellaneous | 4,493 | 82 | 38 | 107 | 1,187 | 5,907 | 0.2 |
| Total | 357,145 | 916,842 | 66,095 | 83,651 | 1,064,707 | 2,488,440 | 102.3 |