MennoMedia, Inc.

Financial Report

June 30, 2017

SIMON LEVER
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CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
MennoMedia, Inc.
Harrisonburg, Virginia 22802

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, 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 engagement 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 review, 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 review 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.

Report on 2016 Financial Statements and Supplementary Information

The 2016 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated November 21, 2016. In addition, the 2016 supplementary information contained on pages 17 and 19 was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since November 21, 2016.

Simon Lever LLP

Simon Lever, LLP
Lititz, PA

November 8, 2017

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 (Unaudited) and 2016 (Audited)
See Independent Accountant's Review Report

	2017	2016
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	146,361	192,745
Accounts receivable, net of allowance for doubtful accounts of 2017-$8,000; 2016-$8,000	281,971	185,700
Inventories	248,543	203,683
Prepaid expenses	85,073	68,527
Total Current Assets	761,948	650,655
PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation of 2017-$209,767; 2016-$842,144	19,960	181,752
OTHER ASSETS		
Finished goods inventory, net, in excess of amounts expected to be sold currently	136,860	115,563
Security deposits	7,000	0
Total Other Assets	143,860	115,563
TOTAL ASSETS	925,768	947,970
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	0	222,719
Current portion of long-term debt	0	32,180
Current portion of pension liability	9,341	12,947
Accounts payable	170,170	101,228
Unearned subscription revenue	67,379	74,790
Accrued expenses and other payables	92,380	115,703
Total Current Liabilities	339,270	559,567
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	0	230,411
Pension liability, net of current portion	64,929	106,135
Total Long-Term Liabilities	64,929	336,546
TOTAL LIABILITIES	404,199	896,113
NET ASSETS		
Unrestricted	404,790	(96,132)
Temporarily restricted	116,779	147,989
Total Net Assets	521,569	51,857
TOTAL LIABILITIES AND NET ASSETS	925,768	947,970

See Notes to Financial Statements

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 (Unaudited) and 2016 (Audited)
See Independent Accountant's Review Report

	2017		2016	
	$	%	$	%
Changes in Net Assets				
Sales				
Herald Press	974,518	40.1	833,107	35.2
Church Resources	1,446,420	59.5	1,519,356	64.2
Electronic Media	9,743	0.4	14,803	0.6
Total Sales	2,430,681	100.0	2,367,266	100.0
Cost of Sales	586,827	24.1	616,084	26.0
Gross Margin	1,843,854	75.9	1,751,182	74.0
Functional Expenses				
Program - Herald Press	357,145	14.7	339,813	14.4
Program - Church Resources	916,842	37.7	852,390	36.0
Program - Electronic Media	66,095	2.7	63,455	2.7
Fundraising	83,651	3.4	81,582	3.4
General and Administrative	1,064,707	43.8	989,268	41.8
Total Functional Expenses	2,488,440	102.3	2,326,508	98.3
Operating Loss	(644,586)	(26.4)	(575,326)	(24.3)
Other Income (Expense)				
Contributions received	353,503	14.5	250,295	10.6
Rental income	56,144	2.3	53,751	2.3
Interest income	580	0.0	342	0.0
Loss on foreign currency exchange	(2,213)	(0.1)	(1,742)	(0.1)
Interest expense	(6,032)	(0.2)	(22,961)	(1.0)
Bad debt expense	(2,099)	(0.1)	(4,171)	(0.2)
Pension expense recovery	32,482	1.3	61,932	2.6
Gain on sale of property and equipment	673,747	27.7	0	0.0
Miscellaneous income	6,188	0.3	4,794	0.2
Net assets released from temporary restrictions	33,208	1.4	198,819	8.4
Total Other Income	1,145,508	47.1	541,059	22.8
Increase (Decrease) in Unrestricted Net Assets	500,922	20.7	(34,267)	(1.5)
Changes in Temporarily Restricted Net Assets				
Contributions received	1,998	0.1	114,380	4.8
Net assets released from temporary restrictions	(33,208)	(1.4)	(198,819)	(8.4)
Decrease in Temporarily Restricted Net Assets	(31,210)	(1.3)	(84,439)	(3.6)
Increase (Decrease) in Net Assets	469,712	19.4	(118,706)	(5.1)

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended June 30, 2017 (Unaudited) and 2016 (Audited)
See Independent Accountant's Review Report

	Unrestricted	Temporarily Restricted	Total
	$	$	$
Net Assets, July 1, 2015	(61,865)	232,428	170,563
Changes in net assets	(34,267)	(84,439)	(118,706)
Net Assets, June 30, 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

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 (Unaudited) and 2016 (Audited)
See Independent Accountant's Review Report

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	469,712	(118,706)
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Change in reserve for inventory obsolescence	27,470	(4,336)
Depreciation	12,952	19,424
Gain on sale of property and equipment	(673,747)	0
Loss on foreign currency exchange	2,213	1,742
Change in assets and liabilities:		
Accounts receivable	(93,349)	12,130
Promise to give	0	191,222
Inventories	(93,627)	104,328
Prepaid expenses	(16,546)	(14,584)
Security deposts	(7,000)	0
Miscellaneous other asset	0	1,000
Accounts payable	68,434	(19,492)
Accrued expenses and other payables	(22,207)	(1,290)
Unearned subscription revenue	(7,411)	(391)
Pension liability	(44,812)	(82,784)
Net Cash Provided by (Used in) Operating Activities	(377,918)	88,263
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	326,493	0
Purchase of property and equipment	(8,663)	(13,244)
Net Cash Provided by (Used in) Investing Activities	317,830	(13,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	23,500	22,157
Principal payments on long-term debt	(4,053)	(30,576)
Net Cash Provided by (Used in) Financing Activities	19,447	(8,419)
Net Change in Cash and Cash Equivalents	(40,641)	66,600
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	(5,743)	(1,250)
Cash and Cash Equivalents:		
Beginning	192,745	127,395
Ending	146,361	192,745
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest:	6,032	22,961
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Long-term debt satisfied with sale of property and equipment	504,757	0

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 three divisions: Herald Press, which publishes books for the Mennonite Church and for religious and general booksellers, Church Resources, which publishes congregational resource materials including periodicals, and Electronic Media, which produces electronic materials such as CDs and DVDs and enhances the Organization's online presence through website sales.

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.

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.

Notes To Financial Statements
See Independent Accountant's Review Report

Note 1 – Summary of Significant Accounting Policies – Continued

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.

Revenue Recognition – The Company 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.

Notes To Financial Statements
See Independent Accountant's Review Report

Note 1 – Summary of Significant Accounting Policies – Continued

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, 2017 and 2016. Contributions for the years ended June 30, 2017 and 2016 totaled $76,986 and $72,391, 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 8.

Advertising – The Organization expenses the costs of advertising as incurred. Advertising expenses totaled $130,865 and $106,247 for the years ended June 30, 2017 and 2016, 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 $94,562 and $93,442, totaled $73,449 and $76,202 for the years ended June 30, 2017 and 2016, 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 – The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 8, 2017, which is the date on which the financial statements were available to be issued.

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, 2017 and 2016.

Notes To Financial Statements
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Note 2 – New Accounting Standards

Issued:

In August 2016, the Financial Accounting Standards Board (FASB) issued an update to the financial statement presentation and disclosure of nonprofit 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 annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. The Organization is currently evaluating the impact this update 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. ASU 2016-02 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. 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 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. ASU 2014-09 will be effective for annual periods beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019.. Early application is not permitted. The Organization is currently evaluating the impact the adoption of ASU 2014-09 will have on its financial statements.

Note 3 – Inventories

As of June 30, 2017 and 2016 inventories consist of the following:

	2017	2016
	$	$
Finished goods	391,547	352,860
Reserve for inventory obsolescence	(6,144)	(33,614)
Total Inventories	385,403	319,246
Less finished goods inventory in excess of amounts expected to be sold currently	136,860	115,563
Total Inventories - Current	248,543	203,683

Note 4 – Property and Equipment

As of June 30, 2017 and 2016 property and equipment consists of the following:

	2017	2016
	$	$
Land	0	20,555
Buildings	0	765,809
Machinery and equipment	28,172	28,172
Furniture and fixtures	201,555	209,360
Total Cost	229,727	1,023,896
Less accumulated depreciation	209,767	842,144
Total Property and Equipment, Net of Accumulated Depreciation	19,960	181,752

Depreciation charged to expense totaled $12,952 and $19,424, for the years ended June 30, 2017 and 2016, respectively.

Note 5 – Note Payable

The Organization had a $250,000 revolving line of credit with Park View Federal Credit Union that was paid off and closed. Interest was payable monthly at the Wall Street Journal Prime rate with a floor of 4.5%. This note was secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. Drawings against this line of credit totaled $0 and $222,719 for the years ended June 30, 2017 and 2016, respectively.

Note 6 – Long-Term Debt

The Organization had a mortgage note payable to Park View Federal Credit Union that was paid off and closed. Payments were due in monthly installments of $3,715, including interest at a fixed rate of 5.0%. The mortgage was secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. The balance of the mortgage payable was $0 and $262,591 as of June 30, 2017 and 2016, respectively.

Note 7 – 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 $2,213 and $1,742 for the years ended June 30, 2017 and 2016, respectively.

Note 7 – Foreign Currency Assets and Liabilities – Continued

Included in the financial statements are translated Canadian assets and liabilities as of June 30, 2017 and 2016 as follows:

	2017	2016
	$	$
Exchange rate at June 30	0.7678	0.7688
Translated Canadian assets	35,916	52,256
Translated Canadian liabilities	(5,094)	(5,338)
Total	30,822	46,918

Note 8 – 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:

	2017	2016
	$	$
Beginning pension liability	119,082	201,866
Payments to retirees	(12,330)	(20,852)
Pension recovery	(32,482)	(61,932)
Ending Pension Liability	74,270	119,082
Less current portion	9,341	12,947
Long-Term Pension Liability	64,929	106,135

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, 2017 and 2016 were 0.66% and 0%, respectively.

Note 9 – Commitments and Contingencies

The Organization leases office space and office equipment under the terms of operating lease agreements expiring at various dates throughout the next four years. The office space lease provides for monthly lease payments which do not include the Organization's allocated share of real estate taxes and common area maintenance charges. Minimum future rental payments for the next two years are as follows: 2018-$13,254; and 2019-$5,559. Total rent expense for the years ended June 30, 2017 and 2016 was $95,143 and $31,460, respectively.

Note 10 – 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 $6,914 and $9,314 for the years ended June 30, 2017 and 2016, respectively.

The Organization makes payments to the Mennonite Church USA and Mennonite Church Canada that support activities that agree with the mission of the Organization. Payments to these related entities totaled $25,996 and $33,842 for the years ended June 30, 2017 and 2016, respectively; of which $4,745 and $837 were payable at year end, respectively. The Organization receives rental income and other miscellaneous income from the Mennonite Church USA and Mennonite Church Canada, total income from related entities totaled $9,324 and $16,798 for the years ended June 30, 2017 and 2016, respectively; of which, $794 and $151 were receivable at year end, respectively.

Note 11 – 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 $342,512 and $55,720 for the year ended June 30, 2017 and $371,947 and $63,073 for the year ended June 30, 2016. Resource sales totaled $161,651 and $144,758 for the years ended June 30, 2017 and 2016, respectively. The Organization owed $72,736 and $46,275 to this project for costs related to Shine at June 30, 2017 and 2016, respectively. The project owed $87,692 and $59,341 to the Organization at June 30, 2017 and 2016, respectively.

The Organization has included in inventory at June 30, 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 $24,120 and $18,379 at June 30, 2017 and 2016, respectively.

Note 12 – Operating Lease

On September 1, 2016, the Organization 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. Total rent expense under this lease for the year ended June 30, 2017 was $69,455.

The Organization subleases a portion of the building and plans to continue subleasing a portion of the building for the duration of their time as lessees of the property. The Organization is allowed to reduce monthly lease payments if sublet tenants leave the building. Total rental income received under sublease agreements was $56,144 for the year ended June 30, 2017.

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Note 13 – 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, 2017 and 2016, 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, 2017 and 2016 due to management's expectation that the net operating loss carryforwards may not be utilized.

Note 14 – Net Assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
	$	$
Publishing	94,655	125,467
Electronic Media	22,002	22,470
Curriculum	122	52
Total Temporarily Restricted Net Assets	116,779	147,989

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

	2017	2016
	$	$
Publishing	32,741	4,992
Electronic Media	467	2,581
Curriculum	0	24
Time restriction - operating	0	191,222
Total Net Assets Released from Restrictions	33,208	198,819

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Note 15 – Subsequent Event

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.

SUPPLEMENTARY INFORMATION

STATEMENTS OF FINANCIAL POSITION DETAIL
June 30, 2017 (Unaudited) and 2016 (Audited)
See Independent Accountant's Review Report

	2017	2016
	$	$
PREPAID EXPENSES		
Insurance	2,307	3,510
Advanced royalties	52,510	61,993
Asbestos escrow	10,000	0
Other	20,256	3,024
Total Prepaid Expenses	85,073	68,527
ACCRUED EXPENSES AND OTHER PAYABLES		
Salaries and wages	20,078	16,492
Vacation wages	23,626	29,397
Royalties	39,975	32,605
Deposit on building purchase option	0	25,000
Security deposit	800	800
Other accrued expenses	7,901	11,409
Total Accrued Expenses and Other Payables	92,380	115,703

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2017 (Unaudited)
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

MennoMedia, Inc.

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2016 (Audited)
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	37,604	270,732	44,458	47,604	516,700	917,098	38.7
Payroll taxes	2,939	19,530	3,080	3,732	36,030	65,311	2.8
Employee benefits	1,579	27,433	3,849		38,213	71,074	3.0
Retirement plan	2,960	21,800	3,552	3,792	40,287	72,391	3.1
Supplies	270	1,068	59	9,826	24,521	35,744	1.5
Repairs and maintenance					88,905	88,905	3.8
Postage and delivery	19,417	21,866	86	4,308	30,525	76,202	3.2
Travel	12,178	20,115		11,443	35,866	79,602	3.4
Insurance				459	22,651	23,110	1.0
Dues and subscriptions		6,238			2,631	8,869	0.4
Professional fees	57,698	67,589	880	42	45,321	171,530	7.3
Advertising and promotion	92,861	13,340	46			106,247	4.5
Royalty fees	75,290	5,329				80,619	3.4
Shared projects		316,638				316,638	13.4
Manuscripts	2,150	46,534	2,162			50,846	2.2
Art and photo	19,906	6,112				26,018	1.1
Rent	1,345	2,181			27,934	31,460	1.3
Telephone	600	698	2	247	22,937	24,484	1.0
Utilities					14,695	14,695	0.6
Depreciation					19,424	19,424	0.8
Comp costs	12,470	4,663	5,256		83	22,472	1.0
Bank charges					15,927	15,927	0.7
Miscellaneous	546	524	25	129	6,618	7,842	0.3
Total	339,813	852,390	63,455	81,582	989,268	2,326,508	98.3