MennoMedia, Inc.

Financial Report

June 30, 2016

Simon Lever LLP

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8-16
SUPPLEMENTARY INFORMATION	
Statements of Financial Position Detail	
Prepaid expenses	17
Accrued expenses and other payables	17
Statements of Activities Detail	
Functional expenses	18-19

Simon Lever LLP

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of MennoMedia, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

LANCASTER OFFICE: 444 MURRY HILL CIRCLE, LANCASTER, PA 17601 ▪ PHONE 717.569.7081 ▪ FAX 717.569.7313
HARRISBURG OFFICE: 342 NORTH FRONT STREET, WORMLEYSBURG, PA 17043 ▪ PHONE 717.975.8500 ▪ FAX 717.975.9952

www.simonlever.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MennoMedia, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audits 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Simon Lever LLP

Simon Lever, LLP
Lancaster, PA

November 21, 2016

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	192,745	127,395
Accounts receivable, net of allowance for doubtful accounts of 2016-$8,000; 2015-$8,000	185,700	196,214
Promise to give	0	191,222
Inventories	203,683	208,792
Prepaid expenses	68,527	53,943
Total Current Assets	650,655	777,566
PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation of 2016-$842,144; 2015-$867,311	181,752	187,931
OTHER ASSETS		
Finished goods inventory, net, in excess of amounts expected to be sold currently	115,563	210,446
Miscellaneous	0	1,000
Total Other Assets	115,563	211,446
TOTAL ASSETS	947,970	1,176,943
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	222,719	200,562
Current portion of long-term debt	32,180	30,577
Current portion of pension liability	12,947	21,215
Accounts payable	101,228	120,662
Unearned subscription revenue	74,790	75,181
Accrued expenses and other payables	115,703	114,942
Total Current Liabilities	559,567	563,139
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	230,411	262,590
Pension liability, net of current portion	106,135	180,651
Total Long-Term Liabilities	336,546	443,241
TOTAL LIABILITIES	896,113	1,006,380
NET ASSETS		
Unrestricted	(96,132)	(61,865)
Temporarily restricted	147,989	232,428
Total Net Assets	51,857	170,563
TOTAL LIABILITIES AND NET ASSETS	947,970	1,176,943

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016		2015	
	$	%	$	%
Changes in Net Assets				
Sales				
Herald Press	833,107	35.2	873,617	32.6
Church Resources	1,519,356	64.2	1,762,749	65.9
Electronic Media	14,803	0.6	41,418	1.5
Total Sales	2,367,266	100.0	2,677,784	100.0
Cost of Sales	616,084	26.0	649,312	24.2
Gross Margin	1,751,182	74.0	2,028,472	75.8
Functional Expenses				
Program - Herald Press	339,813	14.4	394,420	14.7
Program - Church Resources	852,390	36.0	883,054	33.0
Program - Electronic Media	63,455	2.7	84,447	3.2
Fundraising	81,582	3.4	82,978	3.1
General & Administrative	989,268	41.8	1,091,030	40.7
Total Functional Expenses	2,326,508	98.3	2,535,929	94.7
Operating Loss	(575,326)	(24.3)	(507,457)	(18.9)
Other Income (Expense)				
Contributions received	250,295	10.6	333,926	12.5
Rental income	53,751	2.3	52,352	2.0
Interest income	342	0.0	244	0.0
Loss on foreign currency exchange	(1,742)	(0.1)	(19,816)	(0.7)
Interest expense	(22,961)	(1.0)	(24,603)	(0.9)
Bad debt (expense) recovery	(4,171)	(0.2)	10,897	0.4
Pension recovery	61,932	2.6	0	0.0
Miscellaneous income	4,794	0.2	3,670	0.1
Net assets released from temporary restrictions	198,819	8.4	186,687	7.0
Total Other Income	541,059	22.8	543,357	20.4
Increase (Decrease) in Unrestricted Net Assets	(34,267)	(1.5)	35,900	1.5
Changes in Temporarily Restricted Net Assets				
Contributions received	114,380	4.8	16,172	0.6
Net assets released from temporary restrictions	(198,819)	(8.4)	(186,687)	(7.0)
Decrease in Temporarily Restricted Net Assets	(84,439)	(3.6)	(170,515)	(6.4)
Decrease in Net Assets	(118,706)	(5.1)	(134,615)	(4.9)

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	Unrestricted	Temporarily Restricted	Total
	$	$	$
Net Assets, July 1, 2014	(97,765)	402,943	305,178
Changes in net assets	35,900	(170,515)	(134,615)
Net Assets, June 30, 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

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	(118,706)	(134,615)
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Change in reserve for inventory obsolescence	(4,336)	(25,070)
Depreciation	19,424	20,368
Loss on foreign currency exchange	1,742	19,816
Change in assets and liabilities:		
Accounts receivable	12,130	(2,036)
Promise to give	191,222	161,652
Inventories	104,328	56,778
Prepaid expenses	(14,584)	(29,355)
Miscellaneous other asset	1,000	0
Accounts payable	(19,492)	(14,870)
Accrued expenses and other payables	(1,290)	(14,662)
Unearned subscription revenue	(391)	(7,012)
Pension liability	(82,784)	28,323
Net Cash Provided by Operating Activities	88,263	59,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,244)	(17,141)
Net Cash Used in Investing Activities	(13,244)	(17,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	22,157	4,758
Principal payments on long-term debt	(30,576)	(29,125)
Net Cash Used in Financing Activities	(8,419)	(24,367)
Net Change in Cash and Cash Equivalents	66,600	17,809
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	(1,250)	(18,435)
Cash and Cash Equivalents:		
Beginning	127,395	128,021
Ending	192,745	127,395
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest:	22,961	24,603

See Notes to Financial Statements

Notes To Financial Statements

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 market. 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

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.

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, 2016 and 2015. Contributions for the years ended June 30, 2016 and 2015 totaled $72,391 and $74,423, 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 9.

Advertising – The Organization expenses the costs of advertising as incurred. Advertising expenses totaled $106,247 and $113,462 for the years ended June 30, 2016 and 2015, 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 $93,442 and $115,218, totaled $76,202 and $87,337 for the years ended June 30, 2016 and 2015, 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, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 21, 2016, 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, 2016 and 2015.

The Organization is no longer subject to examination by the Internal Revenue Service and the Virginia Department of Revenue for years prior to June 30, 2013.

Note 2 – New Accounting Standards

Issued:

In February 2016, the Financial Accounting Standards Board (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 the Organization on January 1, 2020. The Organization is evaluating the impact the adoption of ASU 2016-02 will have on its financial statements.

In August 2016, the 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 their financial statements.

Note 3 – Promise to Give

As part of the merger of Mennonite Publishing Network and Third Way Media, Mennonite Mission Network promised to give MennoMedia, Inc. a monthly subsidy over five years beginning July 1, 2011. The present value factor with a discount rate of 4% was used to value the promise to give. The present value of the promise to give as of June 30, 2016 and 2015 was $0 and $191,222, respectively, and the unamortized portion of the promise to give was $0 and $4,299, respectively. As of June 30, 2016, the Mennonite Mission Network has fulfilled all of their obligations under the promise to give agreement.

Note 4 – Inventories

As of June 30, 2016 and 2015 inventories consist of the following:

	2016	2015
	$	$
Finished goods	352,860	457,188
Reserve for inventory obsolescence	(33,614)	(37,950)
Total Inventories	319,246	419,238
Less finished goods inventory in excess of amounts expected to be sold currently	115,563	210,446
Total Inventories - Current	203,683	208,792

Note 5 – Property and Equipment

As of June 30, 2016 and 2015 property and equipment consists of the following:

	2016	2015
	$	$
Land	20,555	20,555
Buildings	765,809	759,158
Machinery and equipment	28,172	62,490
Furniture and fixtures	209,360	213,039
Total Cost	1,023,896	1,055,242
Less accumulated depreciation	842,144	867,311
Total Property and Equipment, Net of Accumulated Depreciation	181,752	187,931

Depreciation charged to expense totaled $19,424 and $20,368, for the years ended June 30, 2016 and 2015, respectively.

Note 6 – Note Payable

The Organization has a $250,000 revolving line of credit, expiring September 1, 2016, available with Park View Federal Credit Union which includes interest at the Wall Street Journal Prime rate with a floor of 4.5%. This note is secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. Drawings against this line of credit totaled $222,719 and $200,562 for the years ended June 30, 2016 and 2015, respectively. Subsequent to year-end, the note payable was paid in full and closed.

Note 7 – Long-Term Debt

The Organization has a mortgage note payable to Park View Federal Credit Union. Payments are due in monthly installments of $3,715, including interest at a fixed rate of 5.0% through June 2023. The mortgage is secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. The balance of the mortgage payable was $262,591 and $293,167 as of June 30, 2016 and 2015, respectively. Subsequent to year-end, the mortgage note was paid in full and closed.

Note 8 – 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 $1,742 and $19,816 for the years ended June 30, 2016 and 2015, respectively.

Note 8 – Foreign Currency Assets and Liabilities – Continued

Included in the financial statements are translated Canadian assets and liabilities as of June 30, 2016 and 2015 as follows:

	2016	2015
	$	$
Exchange rate at June 30	0.7688	0.8093
Translated Canadian assets	52,256	34,615
Translated Canadian liabilities	(5,338)	(8,374)
Total	46,918	26,241

Note 9 – 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:

	2016	2015
	$	$
Beginning pension liability	201,866	173,543
Payments to retirees	(20,852)	(21,112)
Pension expense (recovery)	(61,932)	49,435
Ending Pension Liability	119,082	201,866
Less current portion	12,947	21,215
Long-Term Pension Liability	106,135	180,651

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, 2016 and 2015 were 0% and 1.66%, respectively.

Note 10 – 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 three years are as follows: 2017-$16,906; 2018-$16,906; and 2019-$6,777. Total rent expense for the years ended June 30, 2016 and 2015 was $31,460 and $30,935, respectively.

Notes To Financial Statements

Note 11 – 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 $9,314 and $6,789 for the years ended June 30, 2016 and 2015, 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 $33,842 and $32,801 for the years ended June 30, 2016 and 2015, respectively; of which $837 and $2,377 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 $16,798 and $35,984 for the years ended June 30, 2016 and 2015, respectively; of which, $151 and $165 were receivable at year end, respectively.

Note 12 – 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 $371,947 and $63,073 for the year ended June 30, 2016 and $456,787 and $93,469 for the year ended June 30, 2015. Resource sales totaled $144,758 and $195,319 for the years ended June 30, 2016 and 2015, respectively. The Organization owed $46,275 and $46,442 to this project for costs related to Shine at June 30, 2016 and 2015, respectively. The project owed $59,341 and $48,065 to the Organization at June 30, 2016 and 2015, respectively.

The Organization has included in inventory at June 30, 2016 its portion of inventory related to Shine that is jointly owned with the other publisher. The Organization's portion of jointly owned inventory was approximately $18,379 and $15,178 at June 30, 2016 and 2015, respectively.

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.

Notes To Financial Statements

Note 13 – Income Taxes – Continued

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, 2016 and 2015, 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, 2016 and 2015 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:

	2016	2015
	$	$
Publishing	125,467	16,130
Electronic Media	22,470	25,000
Curriculum	52	76
Time restriction - operating	0	191,222
Total Temporarily Restricted Net Assets	147,989	232,428

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

	2016	2015
	$	$
Publishing	4,992	15,014
Electronic Media	2,581	9,481
Curriculum	24	541
Time restriction - operating	191,222	161,651
Total Net Assets Released from Restrictions	198,819	186,687

Note 15 – Subsequent Events

On August 31, 2016 the Organization sold the real property located at 1251 Virginia Avenue, Harrisonburg, VA to a non-related third party for $831,250. A $25,000 non-refundable deposit was applied to the purchase price of the property at settlement. In addition, the Organization made a $10,000 escrow payment toward potential asbestos abatement if the purchaser’s asbestos abatement costs exceed $30,000.

Note 15 – Subsequent Events – Continued

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 from September 2016 through February 2017, at which time the lease becomes month to month. The Organization plans to sublease a portion of the building for the duration of their time as lessees of the property.

SUPPLEMENTARY INFORMATION

MennoMedia, Inc.

STATEMENTS OF FINANCIAL POSITION DETAIL
June 30, 2016 and 2015
See Independent Auditor's Report

	2016	2015
	$	$
PREPAID EXPENSES		
Insurance	3,510	3,040
Advanced royalties	61,993	35,675
Other	3,024	15,228
Total Prepaid Expenses	68,527	53,943
ACCRUED EXPENSES AND OTHER PAYABLES		
Salaries and wages	16,492	49,539
Vacation wages	29,397	26,860
Royalties	32,605	33,333
Deposit on building purchase option	25,000	0
Security deposit	800	0
Other accrued expenses	11,409	5,210
Total Accrued Expenses and Other Payables	115,703	114,942

MennoMedia, Inc.

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2016
See Independent Auditor's 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 expense		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

MennoMedia, Inc.

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2015
See Independent Auditor's Report

	Program - Herald Press	Program - Church Resources	Program - Electronic Media	Fundraising	General and Administrative	Total Functional Expenses	
	$	$	$	$	$	$	% of Sales
FUNCTIONAL EXPENSES							
Salaries and wages	36,352	247,387	48,079	48,612	546,747	927,177	34.6
Payroll taxes	2,764	18,524	4,465	3,622	38,396	67,771	2.5
Employee benefits	2,027	31,808	7,255		91,364	132,454	5.0
Retirement plan	2,890	20,906	3,945	3,721	42,961	74,423	2.8
Supplies	296	683		14,904	31,022	46,905	1.8
Repairs and maintenance					83,632	83,632	3.1
Postage and delivery	23,642	20,025	80	2,130	41,460	87,337	3.3
Travel	2,478	9,905		8,981	25,369	46,733	1.8
Insurance				600	26,306	26,906	1.0
Dues and subscriptions		2,007			509	2,516	0.1
Professional fees	78,684	98,182	17,024	45	47,534	241,469	9.0
Advertising and promotion	96,516	13,523	130		3,293	113,462	4.2
Royalty fees	90,360	7,237				97,597	3.6
Shared projects expense		346,349				346,349	12.9
Manuscripts	5,450	46,019	1,952			53,421	2.0
Art and photo	41,846	10,624				52,470	2.0
Rent	864	1,697			28,374	30,935	1.2
Telephone	310	1,196	6	248	27,394	29,154	1.1
Utilities					17,059	17,059	0.6
Depreciation			290		20,078	20,368	0.8
Comp costs	7,298	6,933	1,161		62	15,454	0.6
Bank charges					14,664	14,664	0.6
Miscellaneous	2,643	49	60	115	4,806	7,673	0.3
Total	394,420	883,054	84,447	82,978	1,091,030	2,535,929	94.7